

Social Security

Software Specifications
and Edits for Annual Wage
Reporting— Tax Year 2001



**SOFTWARE SPECIFICATIONS AND EDITS
FOR ANNUAL WAGE REPORTING
Tax Year 2001**

**FOR PREPARING PAPER FORMS W-3
AND COPY A OF FORMS W-2
FOR THE SOCIAL SECURITY ADMINISTRATION**



**Social Security Administration
Office of Finance, Assessment and Management
Office of Financial Policy and Operations
SSA Publication No. 31-011
July 2001
ICN 436680**

Changes to Note for Tax Year (TY) 2001

The following summarizes the significant changes to the TY 2001 instructions.

Taxable Social Security Wage Base: The taxable Social Security wage base increased to **\$80,400**. This change affects the standards, specifications and edits for Form W-2, boxes 3, 4 and 7. The rates for Social Security tax and Medicare tax remain 6.2 percent and 1.45 percent respectively.

Preparing and Submitting Annual Wage Reports: The size of the Forms W2 and W3 has been changed from 7 inches to 8 ½ inches.

Standards Specifications and Edits: The numbers 764 and 765 are now valid as the first three positions of an SSN.

Form W-2:

Employee's First name and initial and Last name: This entry, for box e, has been separated by a dividing line to provide more precise reporting of employee's names.

All fields requiring a money amounts: A preprinted dollar sign has been added to each of these fields.

'Benefits included in box 1' (previously box 12): This reporting requirement has been removed.

Box 12 "Codes": This box has been reformatted to contain the information previously reported in box 13. The maximum number of entries has increased to 4. The new code V has been added to represent income from exercise of nonstatutory stock options.

Box 13 "Checkboxes": Box 13 now contains check boxes previously contained in box 15. A box for third-party sick pay has been added. The boxes for deceased, legal rep and deferred compensation have been deleted and the pension plan box has been renamed retirement plan.

Advance Earned Income Credit (EIC): The maximum amount of the advance EIC increased to \$1412.00. This change affects the standards, specifications and edits for Form W-2, box 9.

Form W-3:

Kind of payer, box b. : The box "Third-Party Sick Pay" has been added.

For third-party sick pay use only, box 13: A new box for third-party payers of sick pay.

Income tax withheld by payer of third-party sick pay box 14: This box was previously box 15 and has been renumbered.

When to File: File Copy A of Forms W-2 with the entire first page of Form W-3 with SSA by February 28, 2002. DO NOT STAPLE OR TAPE Forms W-2 together or Forms W-2 to

Form W-3. These forms are machine-read. Staple holes and or tears cause the machines to jam.

Appendix A: The Employer Services Liaison Officers telephone numbers have been updated.

TABLE OF CONTENTS

INTRODUCTION

Wage Reporting and Social Security	1
The Taxes You Pay	1
Conclusion	2

CHAPTER 1 - GENERAL

Purpose	3
Background	3
Magnetic Media/Electronic Filing	4
Paper Correction Reports	5
Penalties	5
Your Social Security Statement	6
Employee Verification Service (EVS)	6
Criteria for Producing Paper Annual Wage Reports	7
Electronic Access	8
Inquiries	8
Comments	8

CHAPTER 2 - EMPLOYER CHECKLIST

Recording and Verifying Social Security Numbers	9
Preparing and Submitting Annual Wage Reports	9
Post-Reporting Activities	12
Ongoing Activities	12

CHAPTER 3 - STANDARDS, SPECIFICATIONS AND EDITS

Introduction	13
Part 1: Paper Form W-2	15
Part 2: Paper Form W-3	33
Where to File	43
When to File	43

CHAPTER 4 - REPORTING EXAMPLES FOR PREPARING PAPER FORMS W-2, W-3 AND 941

Introduction	45
Inquiries	45
Background	46

Part 1: Employer Wage and Tax Deposit Data - Forms 941, W-3 and W-2

Introduction	47
Payroll Register versus Forms 941	47
Forms 941 versus Forms W-3	48
Forms W-3 versus Forms W-2	48
Quarterly Forms 941, Annual Mock-up, Form 941, Forms W-3, and Forms W-2, Cabot Cove School District	51

Part 2: Employee Wage and Tax Statements - Forms W-3 and W-2

Introduction	65
Form W-2, <u>Wage and Tax Statement</u> :	
Correct vs. Incorrect Reporting - Common Errors	67
Reporting Group-Term Life Insurance Over \$50,000	72
Nonqualified Deferred Compensation	74
Third-Party Sick Pay Reporting	76
Reporting an Employee Type of Employment Change	83

Exhibits - Payroll Register Data Tables

Exhibit 1: Summary Employee Information	87
Exhibit 2: Quarterly Employee Payroll Data	89
Exhibit 3: Annual Payroll Register Summary	93

"Agent" Reporting	95
-------------------------	----

Special Reporting Situations	105
------------------------------------	-----

Exhibits - Payroll Register Data Tables

Exhibit 4: Summary Employee Information	135
Exhibit 5: Quarterly Employee Payroll Data	137
Exhibit 6: Annual Payroll Register Summary	141

Appendix A: Telephone Numbers for the Social Security Administration's Regional Employer Services Liaison Officers	143
--	-----

Appendix B: IRS/SSA Publications	145
---	-----

Appendix C: MMREF-Appendix G	147
---	-----

INTRODUCTION

Wage Reporting and Social Security

Every time you issue a W-2, Wage and Tax Statement, to one of your employees and send the corresponding Form W-2 (Copy A) to the Social Security Administration (SSA), you contribute to the amount of Social Security benefits that will one day be payable to that employee or his/her family. That's because all Social Security benefits are based on earnings that you and other employers report to SSA. Whether your employees are full-time, part-time, seasonal or temporary, all Social Security wages and tips and Medicare wages and tips reported can influence all of the following potential benefits;

- Retirement Insurance: Monthly benefits for retired workers as early as age 62;
- Disability Insurance: Monthly benefits for people of all ages, including children who have a qualifying disability;
- Family Insurance: Monthly benefits for spouses and children of retired or disabled workers;
- Survivors Insurance: Monthly benefits for the widow or widower, and children, of a deceased worker; and
- Medical Insurance: Benefits to help pay for hospital bills as well as limited coverage of skilled nursing facility stays, hospice care and other medical services.

The Taxes You Pay

For 2001, the employee tax rate for Federal Insurance Contributions Act (FICA) remains 7.65 percent. Of this rate, 6.2 percent finances Social Security retirement, disability and survivor's benefits while the remaining 1.45 percent finances the Medicare program. As an employer, you also match the 6.2 percent rate on the taxable wage base subject to Social Security tax and the 1.45 percent rate applicable to Medicare Wages & tips. In 2001, the wage base subject to the Social Security tax is \$80,400. There is no limit on the amount of Medicare Wages and tips that are subject to Medicare tax.

Conclusion

Accurate reporting of employees' W-2 information directly affects the eligibility for and amount of any Social Security and Medicare benefits payable to employees and their families. That is why we continually emphasize the importance of recording the right employee name, SSN and wages for each employee. Apart from providing a valuable benefit, accurate wage reporting saves employers from the productivity loss and administrative problems associated with correcting errors on W-2 forms. Accurate reporting can also save employers from the Internal Revenue Service (IRS) penalty assessments for inaccurate or late filing.

CHAPTER 1 - GENERAL

Purpose

This document prescribes standards, specifications and edits for software used to produce paper Form W-2, Wage and Tax Statement and paper Form W-3, Transmittal of Wage and Tax Statements. It provides employer human resource departments with guidance necessary to properly compile payroll data used to produce Forms W-2/W-3 and furnishes programmers with requirements for properly producing the physical W-2/W-3 forms. It also provides paper reporting examples which illustrate 1) the most common types of wage reporting errors we encounter and 2) the relationship between the data on Forms W-2/W-3 and Form 941, Employer's Quarterly Federal Tax Return. We encourage paper filers to use software which complies with the standards, specifications and edits in this publication. By complying with these guidelines, you can help:

- Improve the accuracy of wage records submitted to SSA;
- Reduce resources used in administering the annual wage reporting process; and
- Avoid penalties under the Internal Revenue Code for submitting late or inaccurate wage reports.

Background

Employers are required to submit Forms W-3 and Copy A of Forms W-2 directly to SSA for crediting employee wage records. Each year, many reports require correction by SSA, causing delays in posting data to employee wage records and problems in reconciling data between SSA and the IRS. **The most common errors are:**

- **Omitting or using an invalid Social Security Number (SSN), (See EVS on page 6);**
- **Omitting or using an invalid Employer Identification Number (EIN);**
- **Omitting or using an employee name that does not agree with the name on the employee's Social Security card, (See EVS on page 6);**
- **Not submitting wage reports to SSA for various reasons, such as employers (1) going out of business and not submitting Forms W-2, (2) treating an employee as a self-employed "independent contractor", (3) overlooking the need to file wage reports for household**

- work, or (4) not issuing Forms W-2 for wages under \$600;
- **Inappropriately submitting Forms W-2, instead of filing Form W-2c, Corrected Wage and Tax Statement, to correct previously reported wage data;**
 - **Submitting Forms W-2 (a) with the incorrect Tax Year (TY), (b) without an accompanying Form W-3 or (c) on nonstandard forms;**
 - **Submitting reports to the incorrect address (some employers send the W-2 statements to a State taxing authority, or to the IRS, and not to SSA);**
 - **Preparing paper W-2 forms which are not machine readable by SSA's scanning and imaging equipment; and**
 - **Creating out-of-balance conditions between Form W-2 amounts and either (a) Form W-3 summary totals or (b) the sum of the four quarterly Form 941 reports (either SSA or IRS must resolve reconciliation discrepancies between W-2 and 941 data with employers).**

Magnetic Media/Electronic Filing

This document does not include magnetic media filing requirements. For copies of TY 2001 magnetic media or electronic filing instructions for W-2/W-3 information and W-2c/W-3c correction information, contact your respective Employer Services Liaison Officer listed in Appendix A. You may also obtain this information via SSA's Website @ www.ssa.gov/empolyer, or by calling the SSA Employer Reporting Services Center at 1-800-772-6270.

We encourage employers who submit Form W-2 and W-3 data on paper to convert to reporting either electronically, online or via magnetic media. These methods offer faster and more accurate processing.

SSA offers electronic transmission of W-2 (Copy A) and W-3 wage and tax data via SSA's Online Wage Reporting Service (OWRS). This system accepts electronic transmissions only in formats that adhere to SSA's magnetic media or electronic specifications. For more information on electronic filing, go online to SSA's website at www.ssa.gov/empolyer or contact your Employer Services Liaison Officer (see Appendix A).

SSA also offers online transmission of W-2 (Copy A) and W-3 wage and tax data. For more information go to www.ssa.gov/employer/online2000.htm.

SSA also accepts wage reports filed via 3 ½ inch diskettes, ½ inch magnetic tape, 3480/3480E cartridge and 3490/3490E cartridge. Please contact your Employer Services Liaison Officer to obtain a copy of SSA's magnetic and electronic reporting specifications.

Paper Correction Reports

To correct previously reported Social Security or Medicare wage data you must file correction forms W-2c and W-3c. SSA Publication No. 31-031, Software Specifications and Edits for Correcting Annual Wage Reports contains guidelines for preparing Forms W-2c and W-3c.

Mail paper Forms W-2c/W-3c to the appropriate address (depending on the mail service used) shown below.

If United States Postal Service-Send to:

Social Security Administration
Data Operations Center
P.O. Box 3333
Wilkes-Barre, PA 18767-3333

If Other Carrier (e.g. FedEx, UPS)-Send to:

Social Security Administration
Data Operations Center
Attn: W-2c Process
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997

Note: Because SSA and IRS must reconcile wage reports, if you determine that a report needs to be corrected you must also determine whether or not the correction will impact submissions made to IRS.

Penalties

The law requires IRS to consider imposing penalties based on a multi-tier system. IRS Publication 15, Circular E, Employer's Tax Guide, provides a complete description of the penalty provisions. The penalty amounts are based on when correct information is filed. SSA advises IRS of the dates of receipt of all late-filed reports, IRS determines if penalties are applicable.

Your Social Security Statement

Your Social Security Statement is a document that displays an individual's yearly earnings from the SSA earnings record, based on self-employment income or Forms W-2 provided by employers. It also provides an estimate of retirement, survivors, and disability insurance benefits an individual (and family) may be eligible for. SSA mails a copy of ***Your Social Security Statement*** to all eligible individuals age 25 or older annually, however individuals can request a statement from SSA at any time.

Employee Verification Service (EVS)

Making sure names and SSNs reported on Forms W-2 match SSA's records is important because unmatched records can result in additional processing costs for the employer and uncredited earnings for employees. An excellent way to help eliminate these errors is to use SSA's EVS to verify the proper name and SSN relationship. EVS is ideal for employers who want to verify an entire payroll database of more than 50 workers at a time by matching employee names and SSNs with SSA records.

To use EVS, first register with SSA, then submit the requests on diskette, magnetic tape, 3480 or 3490 cartridges or paper. Requests can be submitted year-round and generally take about 30 days to process, although requests may take longer depending on the time of year they're submitted. An EVS hotline, (410) 965-7140, is available to answer questions, or call your Employer Services Liaison Officer (see Appendix A).

To verify smaller groups of numbers (one to five names) without using EVS, contact SSA's, Employer Reporting Service Center, 1-800-772-6270 or SSA's Telephone Service Center at 1-800-772-1213. For larger groups of numbers (up to 50 names) contact your local SSA office.

Note: Any information the employer receives from SSA's records is governed by the Federal Privacy Act, 5 USC 552a(I). Under the Act, anyone who obtains this information under false pretenses or uses it for purposes other than that for which it was requested, may be punished by a fine or imprisonment or both.

Criteria for Producing Paper Annual Wage Reports

1. Software used to produce the forms should automatically enter required information, such as employer and employee names, addresses, SSNs and EINs, etc. This information should be obtained from verified information in an employer's personnel and company records and should not need to be reentered during preparation of each report.
2. W-2 data for each employer should be segregated based on type of employment (e.g., regular Social Security tax employment versus Medicare Qualified Government Employment (MQGE)). There should be one W-2 submission for each type of employment. W-2s for each type of employment should be accompanied by a W-3 indicating the corresponding type of employment (kind of payer). However, in certain situations State and Local government employers have the option of reporting employee wages and tax withheld on either a combined or split-report basis, (see page 46).
3. Information should be entered in all appropriate blocks, items or data fields for the type of employment being reported.
4. Software must not permit generating W-3 entries before all corresponding W-2 entries are prepared.
5. Repetitive information, such as the employer's name, address, and EIN should be checked for consistency before preparing the forms.
6. Only alphabetic or numeric information should be entered. Impossible SSNs or EINs should be screened out.
7. Employee tax withholding amounts should be consistent with the taxable wages and rates for Social Security or Medicare.
8. Special payment amounts must be included as Social Security wages and Medicare wages. See IRS publication 15A for further information.
9. Use W-3 control totals to match and reconcile the annual sum of quarterly line item amounts reported on IRS Form 941 or comparable forms for the same TY and same EIN.
10. The W-3 report which corresponds to Forms W-2 (Copy A) should reflect aggregate W-2 money amounts since you are no longer required to subtotal your Forms W-2.

Electronic Access

You can obtain additional copies of this SSA publication by using a personal computer and modem to access the SSA Online Wage Reporting Service (OWRS) at (410) 966-4105. Internet subscribers can read and print this publication directly from the Employer Information section of *SSA Online* @ www.ssa.gov

Inquiries

- Operational or technical questions should be directed to your respective Employer Services Liaison Officer listed in Appendix A.
- Tax questions or questions on tax law and regulations (including calculating amounts which are to be reported) must be addressed to the IRS Information Reporting Program Call Site at telephone number 1-304-263-8700 (Not a Toll Free Number).
- Employers with questions concerning the SSA and IRS reconciliation of W-2 data, Medicare reporting error notices and or questions concerning magnetic media filing may contact the SSA at 1-800-772-6270 on weekdays from 7 a.m. to 7 p.m. (Eastern Time).

Comments

Comments or suggestions regarding this document should be forwarded to the:

Social Security Administration
Office of Financial Policy and Operations
ATTN: AWR Software Standards
P.O. Box 17195
Baltimore, MD 21297-1195

CHAPTER 2

EMPLOYER CHECKLIST

The following checklist contains a number of basic steps you should take to help report accurately.

Recording and Verifying Social Security Numbers

- [] Always ask to see a job applicant's Social Security card to ensure that the name and SSN agree with the information recorded on the job application. If different, ask the applicant to visit a Social Security office to clear up any discrepancies.
- [] Record the name and SSN accurately.
- [] Keep a photocopy of the employee's Social Security card in the employee's personnel records.

Preparing and Submitting Annual Wage Reports

- [] Use either the IRS official Forms W-2 and W-3 or privately printed substitute Forms W-2 and W-3. SSA accepts **only** 8 ½ inch wide Forms W-2 and W-3. All privately-printed, substitute Forms W-2 and W-3 **must** adhere to the specifications contained in IRS publication 1141 Rules and Specifications for Private Printing of Substitute Forms W-2 and W-3.

Here are several reminders on the specifications for creating substitute Forms W-3 and W-2 and the entry of data on all forms.

1. Margins: Do not print, write or enter any data in the margins of the form(s). These areas are used for control information during SSA's processing.
2. Printing the Form(s): Beginning with tax year 2001 forms can be laser printed in black and white; see IRS publication 1141 for rules and specifications. All other printing of Forms W-3 and W-2 will be in red Optical Character Recognition (OCR) dropout ink, except for the form identifying numbers '22222' or '33333' at the top and the descriptive information at the bottom (including the tax year) which will be printed in nonreflective black ink. The font used to print data on Forms W-3 and W-2 should be very dark, 12-point courier. Do not use script, inverted, italics and/or dual case fonts when preparing the forms. Do not use inks that contain red pigment on forms that contain employer provided information.
3. Paper Requirements: Paper for privately-printed, substitute forms (cut sheets and

continuous pinfeed forms) that are to be filed with SSA must be white 100 percent bleached chemical wood, **18-20 pound paper only**, OCR bond with specific weight requirements. The forms must be produced in accordance with the detailed specifications of IRS Publication No. 1141.

4. Data Entry:

- Entries on the Forms W-3 and W-2 should be typed or machine printed whenever possible.
- The data entered must be presented in clear, **dark** images to guarantee machine scannable forms.
- Insert data in the middle of the blocks and be sure they are separated from other printing.

5. Separating the Forms: Continuous pin-feed forms should be separated at the page perforation into individual 11 inch deep pages (i.e., 2 Forms W-2 or 1 Form W-3 per page) in accordance with IRS Publication 1141. When separating forms, keep them in order and submit them in the order printed. **Note:** Cutting individual Forms W-2 to create two separate forms causes processing problems.

6. Mail all paper Forms W-3 and W-2 (copy A) to the appropriate address (depending on the mail service used) shown below.

If United States Postal Service-Send to:

Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001
(For certified mail use ZIP code 18769-0002)

Other IRS Approved Private Delivery Service-Send to:

Social Security Administration
Data Operations Center
Attn: W-2 Process
1150 E. Mountain Dr.
Wilkes-Barre, PA 18702-7997

- [] Ensure that a Form W-3 accompanies each “Kind of Payer” group of W-2's submitted.
- [] Check that the EIN is the number issued by the IRS and that it is consistently reported on all three Forms W-2, W-3 and 941.
- [] Balance Forms W-2 with data on the Form W-3 and Form 941. To assure proper balancing when reporting:
1. The Social Security wages and tips reported on the Forms W-2 should (a) equal the total Social Security wages and tips reported on the accompanying Form W-3 and (b) equal the annual sum of the quarterly amounts reported to IRS for Social Security wages and tips on Forms 941, and

2. Medicare wages and tips reported on the Forms W-2 should (a) equal the total Medicare wages and tips reported on the accompanying Form W-3 and (b) equal the annual sum of the quarterly amounts reported to IRS for Medicare wages and tips on Forms 941.
- [] Send Forms W-3 and Forms W-2 (**Copy A only**) to SSA - not IRS or other destinations.
- [] Make sure the same tax year is shown on both Forms W-3 and W-2 (Copy A).
- [] If you terminate your business you must file Forms W-2 with the SSA by the end of the second month after the end of the quarter for which the final Form 941 is filed. Additionally, you must provide Form(s) W-2 to your employees for the calendar year of termination by the date your final Form 941 is required to be filed. **Note:** Even if IRS gives you an extension of time to file Forms W-2 (Copy A) and Form W-3, you must still furnish Form W-2 to your employees by January 31, 2002 unless you request an extension of time to provide Forms W-2 to employees (see below).
- [] You may request an extension of time for filing Form W-2 (Copy A) by sending **IRS Form 8809, Request for Extension of Time to File Information Returns**, to the address shown on that form. To obtain this form, contact your local IRS office or call 1-800-829-3676. For your request to be considered, it must be postmarked on or before the due date of the returns. If approved, you will have an additional 30 days to file. See **IRS Form 8809** for more details. **Note:** Please do not contact SSA to request an extension.
- [] If you file Forms W-2 on behalf of other employers in an "Agent" capacity (after filing Form 2678 with the IRS), please remember to:
1. Report on Forms 941 throughout the tax year, the wage and tax data for all employers (including the "agent" if the "agent" is also an employer) for which the "agent" is assuming a reporting responsibility and use the "agent" name and EIN on the Forms 941;
 2. Enter the "Agent's" EIN in box b and the "Agent's" Name and Address in box c of the Forms W-2 (Exception: When an employee's total Social Security wages exceed the taxable Social Security wage base, enter the "Agent's" name, "Agent for" Employer's Name, and "Agent" Address in box c and the "Agent's" EIN in box b);
 3. Enter the ["Agent" Name] in box f, ["Agent" Address] in box g and the "Agent's" EIN in box e of Form W-3; and
 4. Submit all Forms W-2 prepared on behalf of the other employers (and your own if you are also an employer) under one W-3 transmittal.

Note: Refer to "Agent" Reporting in Chapter 4 (beginning on page 95) for further explanation and examples.

Post-Reporting Activities

- [] Do not submit paper Forms W-2 (Copy A) and/or Forms W-3 that contain the same information submitted to SSA on magnetic media, or electronically.
- [] If, after submitting Forms W-2 and W-3, you identify differences between the Social Security wages/tips and Medicare wages/tips reported to SSA and the information reported to IRS, evaluate whether you should submit correction reports to SSA (Forms W-3c and W-2c) and/or to IRS (Form 941c). Retain copies of this information with your tax records.
- [] Use a W-2c and W-3c to correct prior report submissions, do not use a new Form W-2 or W-3.

Ongoing Activities

- [] Remind employees to promptly report any name changes (marriages, divorces, etc.) by completing and submitting a new SSA Form SS-5, Application for a Social Security Card to SSA so their earnings can be credited to their earnings record. To obtain a SSA Form SS-5, use the SSA web site; *SSA Online* at www.ssa.gov or call SSA's toll free number 1-800-772-1213 between 7 a.m. and 7 p.m. any business day. Employers can call the same toll-free number to obtain a supply of SSA Form SS-5.
- [] Encourage employees to a) verify basic Form W-2 information each year, particularly their name and SSN and report any errors promptly, and b) retain their copy of Forms W-2 to ensure proper credit of earnings to their SSA record.

CHAPTER 3

STANDARDS, SPECIFICATIONS AND EDITS

Introduction

This Chapter provides standards, specifications and edits for preparing paper Forms W-3 and W-2 (Copy A) for SSA. These criteria are segregated to address two audiences - (1) employer human resource departments and (2) software developers who write software used to produce the paper wage and tax statements.

The standards for human resource departments outline data for the employer and the employee, as well as employee wage and tax data which employers should compile for use in preparing paper Forms W-3 and copy A of Forms W-2. These standards are comprised of guidelines which identify what data to compile, describe what the data should represent and specify certain characteristics which may identify suspect or incorrect data. Employers should adopt these guidelines to help ensure the accuracy of payroll data used in wage and tax statement reporting .

The specifications and edits constitute guidelines for software developers who write programs which produce the W-2 and W-3 paper forms. These guidelines prescribe which data to print in each Form W-2/W-3 box, data entry content requirements, data entry formats and edits which may identify suspect or incorrect entries. Software developers should incorporate these specifications and edits in their software for paper forms to help ensure accurate annual wage reporting.

The standards, specifications and edits which follow are designated as either required or optional. Items designated as required on Forms W-3 and Copy A of Forms W-2 constitute data required to be submitted to SSA for either (1) use by SSA for programmatic purposes and/or (2) accumulation and transmission to IRS for tax processing and enforcement purposes. Items designated as optional constitute data not required to be submitted to SSA which may be required on copies of Forms W- 2 submitted to employees or state & local entities.

NOTE: The Official instructions for preparing paper Forms W-2 and W-3 are published by the IRS as "Instructions for Forms W-2 and W-3".

PART 1: PAPER FORM W-2

<u>W-2 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
a.	O	Control Number.	May be used to identify individual Forms W-2. Note: To avoid scanner identification problems, SSA prefers that a control number not be printed on Form W-2 (Copy A). However, if used, please keep the data within the box.	Not required by SSA.
	R-If Applicable	Void	Place an "X" in this box when an error is made on Form W-2 and voided because a new Form W-2 has been completed. Do not include any amounts shown on void forms in the totals entered on Form W-3.	This box must either be blank or contain an "X".
b	R	Employer Identification Number (EIN)	<p>Enter the 9 digit number assigned by the IRS.</p> <p>a. Entry should be shown as 10 positions, all numerics and one hyphen in position 3 (e.g., 00-0000000). Use the same EIN used in preparing Federal employment tax returns (e.g., Form 941 or Form 943, <u>Employer's Annual Tax Return for Agricultural Employees</u>).</p> <p>b. The first two left-most positions <u>cannot</u> be 00, 07, 08, 09, 10, 17, 18, 19, 20, 26, 27, 28, 29, 30, 40, 49, 50, 60, 69, 70, 78, 79, 80, 89, 90. Additionally, the EIN cannot be 12-3456789.</p> <p>c. Place the EIN of the "agent" in this box if an "agent" prepared the Form W-2 for</p>	<p>This is the 9 digit number assigned by the IRS.</p> <p>a. Must be 10 positions.</p> <p>b. Hyphen <u>only in position 3</u>.</p> <p>c. Positions 1, 2 and 4 through 10 must be numeric.</p> <p>d. The first two left-most positions <u>cannot</u> be: 00, 07, 08, 09, 10, 17, 18, 19, 20, 26, 27, 28, 29, 30, 40, 49, 50, 60, 69, 70, 78, 79, 80, 89, 90.</p> <p>e. The EIN cannot be 12-3456789.</p>

PART 1: PAPER FORM W-2

<u>W-2 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
			another employer. Apply the same rules as in a. and b. above.	
c.	R	Employer's Name Address and ZIP Code.	<p>a. Show the employer's full name, address and ZIP code.</p> <p>b. If an "agent" prepared the Form W-2 for another employer, show the agent's name (as registered with the IRS) on the first line. On the next lines, show the address of the "agent". Exception: If any employee's aggregate Social Security wages exceed the Social Security wage base for the reporting year, then show the "agent's" name (as registered with the IRS) on the first line, the name of the company for which the employee was paid wages on the second line preceded by the words "Agent for", and on the next lines, show the "agent's" address.</p> <p>See "Agent" Reporting in Chapter 4.</p>	Free-form.
d.	R	Employee's Social Security Number	Enter the employee's Social Security Number (SSN) in an 11 position format; 9 numerics with hyphens in positions 4 and 7 (e.g., 000-00-0000). The following are impossible SSN's; 111-11-1111, 333-33-3333, 123-45-6789 or any SSN having 000, 666, 729 through 749 or 766 through 999 as the first three digits.	<p>a. Must be 11 positions</p> <p>b. Hyphen in positions 4 and 7 <u>only</u>.</p> <p>c. Numeric in all other positions.</p> <p>d. Cannot be all ones, all threes, or 123-45-6789.</p> <p>e. The first three positions for any SSN cannot be 000, 666, 729 through 749 or 766 through 999.</p>

PART 1: PAPER FORM W-2

<u>W-2 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
e.	R	Employee's First name and initial / Last name	<p>Enter the name as shown on the employee's Social Security card. Format as first name, middle initial, in the first half of box e and last name in the second half. Exclude titles in prefixes or suffixes. Care should be taken when providing entries with compound surnames. Parts of compound surnames must be connected with a hyphen. For example:</p> <ul style="list-style-type: none"> a. Maria Rodriguez-de-Perez properly displays a first name (Maria), no middle initial, and a compound surname (Rodriguez-de-Perez); b. Maria Elena Rodriguez-de-Perez properly displays a first name (Maria) a middle initial of E (for the middle name Elena) and a compound surname (Rodriguez-de-Perez). c. Diego Garcia-y-Vega properly displays a first name (Diego), no middle name, and a compound surname of (Garcia-y-Vega). d. Additional examples: <p>Susan B. Smith Johnson, enter Susan B Smith-Johnson</p> <p>Maria Mercedes Sancho Davila, enter Maria M Sancho-Davila</p>	First, middle initial, last.

PART 1: PAPER FORM W-2

<u>W-2 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
			<p>Jose Ramon Lopez Gonzales, enter Jose R Lopez-Gonzales</p> <p>Ivan Ramirez Arellano (no middle name), enter Ivan Ramirez-Arellano</p> <p>Catherine L. Smith Le May, enter Catherine L Smith-Le-May</p> <p>Gloria M. Rodriquez de Perez, enter Gloria M Rodriquez-de-Perez</p> <p>Single-letter prefixes such as O or D must not be separated from the rest of the surname by a blank, but should be connected by an apostrophe or joined to the rest of the surname. For example:</p> <p>Grace H. O'Malley, enter Grace H O'Malley or Grace H OMalley</p> <p>Anthony D'Angelo (no middle name), enter</p> <p>Anthony D'Angelo or Anthony DAngelo</p>	

PART 1: PAPER FORM W-2

W-2
BOX

REQUIRED-R
OPTIONAL-O

NAME/
DESCRIPTION

STANDARDS FOR HUMAN
RESOURCE DEPARTMENTS

SPECIFICATIONS AND EDITS
FOR SOFTWARE DEVELOPERS

f.	R	Employee's Address and ZIP Code.	Enter the employee's full address and ZIP Code.	Free-form.
1	R	Wages, Tips, Other Compensation.	<p>a. Calculate (excluding elective deferrals) (except section 501(c)(18) contributions), before any payroll deduction, the following:</p> <p>(1) Total wages paid during the year.</p> <p>(2) All tips reported, exclusive of those classified as allocated tips.</p> <p>(3) All non-cash payments (including fringe benefits).</p> <p>(4) Report distributions from nonqualified deferred compensation plans and section 457 plans.</p> <p>(5) Dependent care benefit amounts incurred on behalf of employees in excess of the \$5,000 exclusion.</p> <p>(6) All other compensation; e.g., taxable payments for moving expenses, certain scholarships or fellowship grants, reimbursements for employee expenses exceeding amounts treated as substantiated, the cost of group-term life insurance coverage provided to an employee in excess of \$50,000, the cost of accident and health insurance premiums paid on behalf of 2% or more shareholder-employees by an S corporation,</p>	<p>a. Must be dollars and cents (numerics and decimal point <u>only</u>- No dollar signs (\$) or commas).</p> <p>b. Decimal point must be shown even when the entry is even dollars.</p> <p>c. Cannot be a negative amount.</p> <p>d. Cannot be blank.</p>

PART 1: PAPER FORM W-2

<u>W-2 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
			<p>taxable benefits made from a Section 125 plan (i.e., employee chooses cash) etc.</p> <p>b. The entry must be a numeric value only and cannot be a negative amount.</p> <p>c. A dollar sign (\$) should not be added to the entry.</p>	

NOTE: For information on what constitutes wages, tips and other compensation, see IRS Instructions for Form W-2. Please contact IRS for copies of its instructions and additional guidance (see Appendix B); do not contact SSA

2	R-If Applicable	Federal Income Tax Withheld.	<p>a. Calculate the amount of Federal income tax withheld from the employee's wages for the year. Include the 20 percent excise tax on money amounts classified as wages that constituted excess "golden parachute" payments if applicable.</p> <p>b. The entry must be a numeric value only and cannot be a negative amount.</p> <p>c. A dollar sign (\$) should not be added to the entry.</p>	<p>a. Must be dollars and cents (numerics and decimal point <u>only</u>--No dollar signs (\$) or commas).</p> <p>b. Decimal point must be shown even when the entry is even dollars.</p> <p>c. Cannot be a negative amount.</p> <p>d. When the amount is zero, leave the box blank.</p>
3	R-Based on Type of Employment	Social Security Wages.	<p>For employment where wages are subject to the 6.2 percent Social Security tax.</p> <p>a. Calculate the total Social Security wages paid (before payroll deductions).</p>	<p>a. Must be dollars and cents (numerics and decimal point <u>only</u>--No dollar signs (\$) or commas).</p> <p>b. Decimal point must be shown even when</p>

PART 1: PAPER FORM W-2

<u>W-2 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
			<p>Exclude Social Security tips and allocated tips.</p> <p>b. The amount cannot exceed the maximum Social Security taxable wage base amount of \$80,400 for tax year 2001.</p> <p>c. The entry must be a numeric value only and cannot be a negative amount.</p> <p>d. A dollar sign (\$) should not be added to the entry.</p>	<p>the entry is even dollars.</p> <p>c. Cannot be a negative amount.</p> <p>d. When the amount is zero, leave the box blank.</p> <p>e. Cannot exceed \$80,400 for tax year 2001.</p> <p>f. Cannot include entry when type of employment is MQGE or RRTA.</p> <p>g. If box 3 contains an entry, then (a) box 4 must contain an entry and/or box 13 must contain an entry preceded by an alpha code "M" and (b) box 5 must contain an entry.</p>

NOTE: See IRS Instructions for Form W-2 for more information on Form W-2, Box 3 requirements. Please contact IRS for copies of its instructions and additional guidance (see Appendix B); do not contact SSA.

4	R-Based on Type of Employment	Social Security Tax Withheld.	<p>For employment where wages are subject to the 6.2 percent Social Security tax.</p> <p>a. Calculate the total employee Social Security tax (not the employer share) withheld or paid for the employee up to a maximum of \$4984.80 for tax year 2001.</p> <p>b. The entry must be a numeric value only and cannot be a negative amount.</p> <p>c. A dollar sign (\$) should not be added to the entry.</p>	<p>a. Must be dollars and cents (numerics and decimal point <u>only</u>—No dollar signs (\$) or commas).</p> <p>b. Decimal point must be shown even when the entry is even dollars.</p> <p>c. Cannot be a negative amount.</p> <p>d. When the amount is zero, leave the box blank.</p> <p>e. Must be the lesser of 6.2 percent of the total amount of boxes 3 and 7 combined or \$4984.80 for tax year 2001.</p> <p>f. Cannot contain an entry when the type of employment is MQGE or RRTA.</p>
---	-------------------------------	-------------------------------	--	---

PART 1: PAPER FORM W-2

W-2
BOX

REQUIRED-R
OPTIONAL-O

NAME/
DESCRIPTION

STANDARDS FOR HUMAN
RESOURCE DEPARTMENTS

SPECIFICATIONS AND EDITS
FOR SOFTWARE DEVELOPERS

NOTE: See IRS Instructions for Form W-2 for more information on Form W-2, Box 4 requirements. Please contact IRS for copies of its instructions and additional guidance (see Appendix B); **do not** contact SSA.

5	R-Based on Type of Employment	Medicare Wages and Tips.	<p>For employment where wages and tips are subject to the 1.45 percent Medicare tax.</p> <p>a. Calculate the total employee Medicare wage and tip amount.</p> <p>b. The entry must be a numeric value only and cannot be a negative amount.</p> <p>c. A dollar sign (\$) should not be added to the entry.</p> <p>d. Note: There is no limit on the amount of Medicare wages and tips. This amount should represent all wages, tips and other compensation (Box 1) plus elective deferrals to (1) certain qualified cash or deferred compensation arrangements and (2) retirement arrangements reported in Box 12 (codes D, E, F, G and S). Also include both elective and non-elective deferrals for section 457 plans (reported in Box 12 code H).</p>	<p>a. Must be dollars and cents (numerics and decimal point <u>only</u>--No dollar signs (\$) or commas).</p> <p>b. Decimal point must be shown even when the entry is even dollars.</p> <p>c. Cannot be a negative amount.</p> <p>d. When the amount is zero, leave the box blank.</p> <p>e. Must be blank if type of employment is RRTA.</p> <p>f. If box 5 contains an entry, then (a) box 6 must contain an entry and/or (b) box 12 must contain an entry preceded by an alpha "B" or "N".</p> <p>g. This entry must equal or exceed the combined entries of boxes 3 and 7.</p>
6	R-Based on Type of	Medicare Tax Withheld.	<p>For employment where wages and tips are subject to the 1.45 percent Medicare tax</p>	<p>a. Must be dollars and cents (numerics and decimal point <u>only</u>--No dollar</p>

PART 1: PAPER FORM W-2

<u>W-2 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
	Employment		<p>Note: There is no limit on the amount of Medicare wages and tips that are subject to Medicare tax.</p> <ul style="list-style-type: none"> a. Calculate the total employee Medicare tax withheld. b. The entry must be a numeric value only and cannot be a negative amount. c. A dollar sign (\$) should not be added to the entry. 	<p>signs(\$)).</p> <ul style="list-style-type: none"> b. Decimal point must be shown even when the entry is even dollars. c. Cannot be a negative amount. d. When the amount is zero, leave the box blank. e. Cannot exceed 1.45 percent of the money amount entered in box 5. f. Cannot contain an entry if box 5 is blank (i.e., value of zero). g. Cannot contain an entry when the type of employment code is RRTA.

NOTE: See IRS Instructions for Form W-2 for more information on Form W-2, Box 5 and Box 6 requirements. Please contact IRS for copies of its instructions and additional guidance (see Appendix B); **do not** contact SSA.

7	R-Based on Type of Employment	Social Security Tips.	<p>For employment where tips are subject to the 6.2 percent Social Security tax.</p> <ul style="list-style-type: none"> a. Calculate the amount the employee reported. Exclude allocated tip amounts. b. Limit the entry to the <u>lesser</u> of: (1) actual Social Security tips or (2) the Social Security wage amount subtracted from \$80,400. c. The entry must be a numeric value only and cannot be a negative amount. d. A dollar sign(\$) should not be added to the entry. 	<ul style="list-style-type: none"> a. Must be dollars and cents (numerics and decimal point <u>only</u>—No dollar signs(\$)). b. Decimal point must be shown even when the entry is even dollars. c. Cannot be a negative amount. d. When the amount is zero, leave the box blank. e. Cannot contain an entry when the type of employment is MQGE or RRTA. f. Entry cannot be greater than \$80,400 minus the box 3 entry.
---	-------------------------------	-----------------------	--	---

PART 1: PAPER FORM W-2

<u>W-2 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
				g. If box 7 contains an entry, then (a) box 4 must contain an entry and/or box 12 must contain an entry with an alpha code "A" and (b) box 5 must contain an entry.

NOTE: See IRS Instructions for Form W-2 for more information on Form W-2, Box 7 requirements. Please contact IRS for copies of its instructions and additional guidance (see Appendix B); do not contact SSA.

8	R-If Applicable	Allocated Tips.	<p>a. Calculate the amount of tips allocated to the employee. Exclude amounts classified as (1) wages, tips and other compensation, (2) social security wages, (3) social security tips or (4) the amount included as tips in box 5 "Medicare wages and tips".</p> <p>b. The entry must be a numeric value only and cannot be a negative amount.</p> <p>c. A dollar sign (\$) should not be added to the entry.</p>	<p>a. Must be dollars and cents (numerics and decimal point <u>only</u>—No dollar signs (\$) or commas).</p> <p>b. Decimal point must be shown even when the entry is even dollars.</p> <p>c. Cannot be a negative amount.</p> <p>d. When the amount is zero, leave the box blank.</p>
---	-----------------	-----------------	---	--

NOTE: See IRS Instructions for Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, for more information on Form W-2, Box 8 requirements. Please contact IRS for copies of its instructions and additional guidance (see Appendix B); do not contact SSA.

9	R-If Applicable	Advanced EIC Payment.	a. Calculate the total amount paid to the employee as advance earned income credit payments. This amount cannot exceed	a. Must be dollars and cents (numerics and decimal point <u>only</u> —No dollar signs (\$) or commas).
---	-----------------	-----------------------	--	--

PART 1: PAPER FORM W-2

<u>W-2 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
			<p>\$1457.00 for tax year 2001.</p> <p>b. The entry must be a numeric value only and cannot be a negative amount.</p> <p>c. A dollar sign(\$) should not be added to the entry.</p>	<p>b. Decimal point must be shown even when the entry is even dollars.</p> <p>c. Cannot be a negative amount.</p> <p>d. When the amount is zero, leave the box blank.</p> <p>e. Cannot exceed \$1457.00 for tax year 2001.</p>
10	R-If Applicable	Dependent Care Benefits.	<p>a. Calculate the total amount of dependent care benefits under Section 129 of the Internal Revenue Code or a section 125 plan paid or incurred by you for the employee. The amount entered should include any amount in excess of the \$5,000 exclusion.</p> <p>b. The entry must be a numeric value only and cannot be a negative amount.</p> <p>c. A dollar sign (\$) should not be added to the entry.</p>	<p>a. Must be dollars and cents (numerics and decimal point <u>only</u>—No dollar signs (\$) or commas).</p> <p>b. Decimal point must be shown even when the entry is even dollars.</p> <p>c. Cannot be a negative amount.</p> <p>d. When the amount is zero, leave the box blank.</p>
<p>NOTE: See IRS instructions for Form W-2 for more information on Form W-2, box 10 requirements. Please contact IRS for copies of its instructions and additional guidance (see Appendix B); Do not contact SSA.</p>				
11	R-If Applicable	Nonqualified Plans.	<p>a. Calculate:</p> <p>(1) The amount of distributions to an employee from a nonqualified deferred compensation plan and/or a Section 457 plan (this amount should be included as wages, tips and other compensation in box</p>	<p>a. Money amounts must be shown as dollars and cents (numerics and decimal point <u>only</u>—No dollar signs (\$) or commas).</p> <p>b. Decimal point must be shown even when the entry is even dollars.</p> <p>c. Cannot be a negative amount.</p>

PART 1: PAPER FORM W-2

<u>W-2 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
			<p>1) and, (2) Amounts deferred under a nonqualified plan which became taxable during the tax year, based on the later of (a) when the services giving rise to the deferral are performed or (b) when there is no substantial forfeiture risk of the rights to the deferred amount (this amount should be included as Social Security wages in box 3 and Medicare wages in box 5).</p> <p>b. If the amount calculated represents <u>only</u> a Section 457 plan distribution, data should exist which permits associating this amount with an alpha code of "G".</p> <p>c. The money amount entry must be a numeric value only and cannot be a negative amount.</p> <p>d. A dollar sign (\$) should not be added to the entry.</p>	<p>d. When the amount is zero, leave the box blank.</p> <p>e. If this amount represents <u>only</u> a section 457 plan distribution, the entry must be preceded by an alpha code "G" and at least one blank space.</p> <p>f. Can contain <u>only one</u> entry.</p>
12	R-If Applicable	Codes	<p>a. Calculate money amounts for any one or more of the following, where applicable to the employee:</p> <p>(1) Uncollected Social Security or RRTA taxes on employee tips.</p> <p>(2) Uncollected Medicare tax on employee tips.</p> <p>(3) Cost of Group-term life insurance coverage provided to the employee in excess of \$50,000.</p>	<p>a. Must be either (1) an upper case alpha reference code ("A" through "H", "J" through "N", "P" through "T" and/or "V") followed by at least one space and a money amount entered to the right of the vertical line on the form.</p> <p>b. Money amounts must be shown as dollars and cents, with a decimal point <u>only</u>—No dollar signs (\$) or commas.</p> <p>c. Decimal point must be shown even when the</p>

PART 1: PAPER FORM W-2

<u>W-2 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
			<p>(4) Contributions (total elective deferral an any excess) to any of the following types of deferred compensation plans: Sections 401(k), 403(b), 408(k)(6), 457(b) and 501(c)(18)(D). Note: For section 457(b) plans, (a) include both elective and non-elective deferrals and (b) exclude amounts subject to a substantial risk of forfeiture.</p> <p>(5) Employee sick pay not included as income in box 1, 3 and 5.</p> <p>(6) The 20 percent excise tax on excess "golden parachute" payments.</p> <p>(7) When employee business expense reimbursements exceed amounts substantiated under IRS rules, report the portion of the reimbursements which are treated as substantiated (i.e., the nontaxable portion).</p> <p>(8) Uncollected Social Security or RRTA tax on group-term life insurance provided to former employees (including retirees) in excess of \$50,000.</p> <p>(9) Uncollected Medicare tax on group-term life insurance provided to former employees (including retirees) in excess of \$50,000.</p> <p>(10) Excludable reimbursements paid directly to an employee for moving</p>	<p>entry is even dollars.</p> <p>d. Cannot be a negative amount.</p> <p>e. When the amount is zero, leave the box blank.</p> <p>f. This box can contain up to 4 entries.</p> <p>g. If more than 4 entries are designated for this box, another W-2 form must be printed (for the remaining entries) containing <u>only</u>:</p> <p>(1) The same non-monetary data printed in boxes b, c, d, e and f on preceding W-2 form for that employee, and(2) The remaining box 12 entries (up to 4 for each additional form).</p>

PART 1: PAPER FORM W-2

<u>W-2 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
			<p>expenses incurred.</p> <p>(11) If you're a military employer and provide your employee with basic quarters and subsistence allowances, or combat zone pay, report the amount.</p> <p>(12) Employer contributions to a medical savings account for the employee. Any employer contributions not excludable from the employee's gross income must also be included in box 1.</p> <p>(13) Employees salary reductions to a SIMPLE retirement account. Show the amount deferred under a section 408(p) salary reduction SIMPLE retirement account. However, if the SIMPLE is part of a section 401(k) arrangement, the amount is reported using code D.</p> <p>(14) The total amount paid or expenses incurred by an employer for qualified adoption expenses furnished to an employee under an adoption assistance program. Also include benefits from the pre-tax contributions made by the employee to a section 125 adoption plan account.</p> <p>(15) Income from the exercise of nonstatutory stock options included in boxes 1, 3 and 5.</p>	

PART 1: PAPER FORM W-2

<u>W-2 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
			<p>b. The entry must be numeric preceded by a single alpha code, cannot be a negative amount and should not be preceded by a dollar sign(\$).</p> <p>c. Data should exist which permits associating one of the following alpha codes with the corresponding calculated amount(s) listed in 12a:</p> <p>Item 12a(1)A</p> <p>Item 12a(2)B</p> <p>Item 12a(3)C</p> <p>Item 12a(4):</p> <p>Section 401(k)D</p> <p>Section 403(b)E</p> <p>Section 408(k)(6).....F</p> <p>Section 457(b)G</p> <p>Section 501(c)(18)(D)H</p> <p>Item 12a(5)J</p> <p>Item 12a(6)K</p> <p>Item 12a(7)L</p> <p>Item 12a(8)M</p> <p>Item 12a(9)N</p> <p>Item 12a(10) P</p> <p>Item 12a(11)Q</p> <p>Item 12a(12)R</p> <p>Item 12a(13)S</p> <p>Item 12a(14)T</p>	

PART 1: PAPER FORM W-2

<u>W-2</u>	<u>REQUIRED-R</u>	<u>NAME/</u>	<u>STANDARDS FOR HUMAN</u>	<u>SPECIFICATIONS AND EDITS</u>
<u>BOX</u>	<u>OPTIONAL-O</u>	<u>DESCRIPTION</u>	<u>RESOURCE DEPARTMENTS</u>	<u>FOR SOFTWARE DEVELOPERS</u>

			Item 12a(15)..... V	
--	--	--	---------------------	--

NOTE: See IRS instructions for Forms W-2 for more information on Form W-2, Box 12 requirements. Please contact IRS for copies of its instructions and additional guidance (see Appendix B); do not contact SSA.

13	R-if applicable	Checkboxes	<p>Mark all checkboxes that apply to designate one or more of the following:</p> <ul style="list-style-type: none"> a. Statutory employee – if there are earnings subject to Social Security tax and medicare tax but not Federal income tax. b. Retirement plan – if employee was an active participant (for any part of the year) in a retirement plan. Exclude contributions to nonqualified plans or 457 plans in determining whether this box should be marked. c. Third-party sick pay – Mark this box if you are a third-party sick pay payer filing a Form W-2 for an insured's employee. 	Must contain an "X" in the box(es) that apply.
14	O	Other.	<p>For employer use. This box may be used for any other information you want to give your employee. Please label each box. Examples are:</p> <ul style="list-style-type: none"> a. Union dues. b. Health insurance premiums deducted. c. Education assistance payments. 	Not required by SSA.

PART 1: PAPER FORM W-2

W-2
BOX

REQUIRED-R
OPTIONAL-O

NAME/
DESCRIPTION

STANDARDS FOR HUMAN
RESOURCE DEPARTMENTS

SPECIFICATIONS AND EDITS
FOR SOFTWARE DEVELOPERS

NOTE: See IRS Instructions for Form W-2 for more information on Form W-2, Box 14 requirements. Please contact IRS for copies of its instructions and additional guidance (see Appendix B); **do not** contact SSA.

15-20	O	State or Local Income Tax Information.	Not required by SSA.	Not required by SSA.
-------	---	--	----------------------	----------------------

PART 2: PAPER FORM W-3

<u>W-3 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
a.	O	Control Number.	Not required by SSA. For employer's purposes. May be used for numbering the whole transmittal. Note: To avoid scanner identification problems, SSA prefers that a control number not be printed on the Form W-3. However, if used, please keep the data within the box.	Not required by SSA.
b.	R	Kind of Payer.	Software should produce data which identifies one of the following corresponding types of employment for the accompanying W-2 data: a. Agriculture (Box 943). b. Household (Box Hshld emp.). NOTE: All household employers, even those with only one employee, must file Form W-3 with their Form(s) W-2. c. Military. d. Medicare Qualified Government Employee (Box Medicare govt. emp.) e. Railroad (RRTA) (Box CT-1). f. Third- Party Sick pay. g. All others (regular) (Box 941).	a. Must contain an "X" in the box that applies. b. Can contain only one "X" unless the second marked checkbox is "Third-Party sick pay".

NOTE: See IRS Instructions contained on the W-3 form (Your Copy) and Form W-2 for more information on Form W-3, Box b. requirements. Please contact IRS for copies of its instructions and additional guidance (see Appendix B); do not contact SSA.

PART 2: PAPER FORM W-3

<u>W-3 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
c.	R	Total Number of Forms W-2.	Calculating the total number of completed individual Forms W-2 is a function of preparing the paper W-3 report, based on the total number of statements transmitted with this Form W-3. Do not count void forms.	a. Must be numeric. b. Must contain the total number of completed W-2 forms represented by this Form W-3, excluding voided Forms W-2.
d.	O	Establishment Number.	Not required by SSA. This box can be used for employer's purposes to identify separate establishments within the business. You may file a separate Form W-3 with Forms W-2 for each establishment even if they all have the same EIN; or you may use a single Form W-3 for all Forms W-2 of the same type. If used; a. Prepare only a 4 position entry. b. Entries can be either alpha or numeric.	If used; a. Must be a 4-position entry. b. When the establishment number is less than 4 positions, the entry must be right justified with blanks.
e.	R	Employer Identification Number.	This is the 9 digit number assigned by the Internal Revenue Service. This number should be the same as shown on Form 941, 943 or CT-1 and in the following format: a. Entry should be shown as 10 positions, all numeric and one hyphen in position 3 (e.g., 00-0000000). Use the same EIN used in preparing Federal employment tax returns (e.g., Form 941 or Form 943). b. The first two left-most positions <u>cannot</u> be 00, 07, 08, 09, 10, 17, 18, 19, 20, 26, 27, 28, 29, 30, 40, 49, 50, 60, 69, 70, 78,	a. Must be the same EIN used in W-2 box b for the W-2(s) being reported. b. Must be shown as 10 positions. c. Hyphen <u>only</u> in position 3. d. Numeric <u>only</u> in positions 1, 2 and 4 through 10. e. The first two left-most positions <u>cannot</u> be 00, 07, 08, 09, 10, 17, 18, 19, 20, 26, 27, 28, 29, 30, 40, 49, 50, 60, 69, 70, 78, 79, 80, 89, 90.

PART 2: PAPER FORM W-3

<u>W-3 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
			79, 80, 89, 90. c. Place the EIN of the "agent" in this box if an "agent" prepared the Forms W-2. Apply the same rules as in a. and b. above. Must be the same EIN used in W-2, box b for the W-2(s) being reported.	
f.	R	Employer's Name.	a. The employer's name is produced as a function of preparing the physical form W-3, based on the W-2 payroll data submitted for processing. b. If an "agent" prepared the Form(s) W-2, enter only the name of the "agent" in this box.	Free-form Must match the name entered in box c of the W-2(s) being reported.
g.	R	Employer's Address and ZIP Code.	a. The employer's address and ZIP code is produced as a function of preparing the physical Form W-3, based on the W-2 payroll data submitted for processing. b. If an "agent" prepared the Form(s) W-2, enter the address and ZIP code of the "agent".	Free-form. Must be the same address and ZIP Code entered in box c of the forms W-2 being reported.
h.	R-If Applicable	Other EIN Used this Year.	Required entry if, during the year, <u>you</u> used an EIN (including a prior owner's EIN) on Form 941 or 943 that is different from the EIN in box e above. a. Entry should be shown as 10 positions, all numeric and one hyphen in position 3	a. Must be shown as 10 positions b. Hyphen <u>only</u> in position 3. c. Numeric <u>only</u> in positions 1, 2 and 4 through 10. d. The first two left-most positions cannot be 00, 07, 08, 09, 10, 17, 18,

PART 2: PAPER FORM W-3

<u>W-3 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
			<p>(e.g., 00-0000000). Use the same EIN used in preparing Federal employment tax returns (e.g., Form 941 or Form 943).</p> <p>b. The first two left-most positions <u>cannot</u> be 00, 07, 08, 09, 10, 17, 18, 19, 20, 26, 27, 28, 29, 30, 40, 49, 50, 60, 69, 70, 78, 79, 80, 89, 90.</p> <p>c. If an "agent" prepared the Form(s) W-2 for <u>only one employer</u> (or one employer and the "agent's" employees, if the "agent" is also an employer), enter the employer's EIN in this box; otherwise, leave this box blank.</p>	<p>19, 20, 26, 27, 28, 29, 30, 40, 49, 50, 60, 69, 70, 78, 79, 80, 89, 90.</p> <p>e. Cannot match the EIN in box e.</p>
1	R	Wages, Tips, Other Compensation.	<p>a. The total wages, tips and other compensation calculation for the employer is a function of preparing the paper W-3 report, based on the W-2 statements produced in the physical report submission.</p> <p>b. Calculate a total money amount equal to the sum of the amounts reported in box 1 of the Forms W-2 for that report.</p> <p>c. A dollar sign (\$) should not be added to the entry.</p>	<p>a. Must be dollars and cents (numeric and decimal point <u>only</u>—No dollar signs (\$) or commas).</p> <p>b. Decimal point must be shown even when the entry is even dollars.</p> <p>c. Must equal the total combined entries of box 1 of the W-2 forms (excluding voided forms W-2).</p>
2	R	Federal Income Tax Withheld.	<p>a. The total Federal income tax withheld calculation for the employer is a function of preparing the paper W-3 report, based on the W-2 statements produced in the</p>	<p>a. Must be dollars and cents (numerics and decimal point <u>only</u>—No dollar signs (\$) or commas).</p> <p>b. Decimal point must be shown even when</p>

PART 2: PAPER FORM W-3

<u>W-3 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
			physical report submission. b. Calculate a total money amount equal to the sum of the amounts reported in box 2 of the Forms W-2 for that report. c. A dollar sign (\$) should not be added to the entry.	the entry is even dollars. c. Must equal the total combined entries of box 2 of the W-2 forms (excluding voided forms W-2).
3	R-If Applicable	Social Security Wages.	Required for employers reporting Social Security wages. a. The total Social Security wage calculation for the employer is a function of preparing the paper W-3 report, based on the W-2 statements produced in the physical report submission. b. Calculate a total money amount equal to the sum of the amounts reported in box 3 of the Forms W-2 for that report. c. A dollar sign (\$) should not be added to the entry.	a. Must either be blank or a money amount. b. When an entry is made, the total must equal the total combined entries of box 3 of the W-2 forms (excluding voided forms W-2). c. If not blank, must be dollars and cents (numeric and decimal point only— No dollar signs (\$) or commas). d. Decimal point must be shown even when the entry is even dollars. e. Cannot include an entry when Kind of Payer (designated in box b) is Railroad (CT-1) or Medicare Govt. Emp.
4	R-If Applicable	Social Security Tax Withheld.	Required for employers reporting Social Security tax withheld. a. The total Social Security tax withheld calculation for the employer is a function of preparing the paper W-3 report, based on the W-2 statements produced in the physical report submission. b. Calculate a total money amount equal to	a. Must either be blank or a money amount. b. When an entry is made, the total must equal the total combined entries of box 4 of the W-2 forms (excluding voided forms W-2). c. If not blank, must be dollars and cents (numeric and decimal point <u>only</u> — No dollar signs (\$) or commas).

PART 2: PAPER FORM W-3

<u>W-3 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
			<p>the sum of the amounts reported in box 4 of the Forms W-2 for that report.</p> <p>c. A dollar sign (\$) should not be added to the entry.</p>	<p>d. Decimal point must be shown even when the entry is even dollars.</p> <p>e. Cannot include an entry when Kind of Payer (designated in box b) is Railroad (CT-1) or Medicare Govt. Emp.</p> <p>f. Must contain an entry if box 3 contains an entry.</p>
5	R-If Applicable	Medicare Wages and Tips.	<p>Required for employers reporting Medicare wages and tips.</p> <p>a. The total Medicare wage and tip calculation for the employer is a function of preparing the paper W-3 report, based on the W-2 statements produced in the physical report submission.</p> <p>b. Calculate a total money amount equal to the sum of the amounts reported in box 5 of the Forms W-2 for that report.</p> <p>c. A dollar sign (\$) should not be added to the entry.</p>	<p>a. Must either be blank or a money amount.</p> <p>b. When an entry is made, the total must equal the total combined entries of box 5 of the W-2 forms (excluding voided forms W-2).</p> <p>c. If not blank, must be dollars and cents (numerics and decimal point only—No dollar signs (\$) or commas).</p> <p>d. Decimal point must be shown even when the entry is even dollars.</p> <p>e. Cannot include an entry when the Kind of Payer is Railroad (CT-1 is designated in box b).</p>
6	R-If Applicable	Medicare Tax Withheld.	<p>Required for employers reporting Medicare tax Withheld.</p> <p>a. The total Medicare tax withheld calculation for the employer is a function of preparing the paper W-3 report based on the W-2 statements produced in the physical report submission.</p>	<p>a. Must either be blank or a money amount.</p> <p>b. When an entry is made, the total must equal the total combined entries of box 6 of the W-2 forms (excluding voided forms W-2).</p> <p>c. If not blank, must be dollars and cents (numeric and decimal point only—No</p>

PART 2: PAPER FORM W-3

<u>W-3 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
			<ul style="list-style-type: none"> b. Calculate a total money amount equal to the sum of the amounts reported in box 6 of the Forms W-2 for that report. c. A dollar sign (\$) should not be added to the entry. 	<ul style="list-style-type: none"> dollar signs (\$) or commas). d. Decimal point must be shown even when the entry is even dollars. e. Cannot include an entry when the Kind of Payer (designated in box b) is Railroad (CT-1) or Medicare Govt. Emp. f. Must contain an entry if box 5 contains an entry.
7	R-If Applicable	Social Security Tips.	<p>Required for employers reporting Social Security tips.</p> <ul style="list-style-type: none"> a. The total Social Security tip calculation for the employer is a function of preparing the paper W-3 report, based on the W-2 statements produced in the physical report submission. b. Calculate a total money amount equal to the sum of the amounts reported in box 7 of the Forms W-2 for that report. c. A dollar sign (\$) should not be added to the entry. 	<ul style="list-style-type: none"> a. Must either be blank or a money amount. b. When an entry is made, the total must equal the total combined entries of box 7 of the W-2 forms (excluding voided forms W-2). c. If not blank, must be dollars and cents (numeric and decimal point <u>only</u>—No dollar signs (\$) or commas). d. Decimal point must be shown even when the entry is even dollars. e. Cannot include an entry when the Kind of Payer is Railroad (CT-1 is designated in box b) or Medicare Govt. Emp. is designated in box b.
8	R-If Applicable	Allocated Tips.	<p>Required for certain types of employers reporting Allocated tips.</p> <ul style="list-style-type: none"> a. The total Allocated tip calculation for the employer is a function of preparing the paper W-3 report, based on the W-2 	<ul style="list-style-type: none"> a. Must either be blank or a money amount. b. When an entry is made, the total must equal the total combined entries of box 8 of the W-2 forms (excluding voided forms W-2).

PART 2: PAPER FORM W-3

<u>W-3 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
			<p>statements produced in the physical report submission.</p> <p>b. The software should calculate a total money amount equal to the sum of the amounts reported in box 8 of the Forms W-2 for that report.</p> <p>c. A dollar sign (\$) should not be added to the entry.</p>	<p>c. If not blank, must be dollars and cents (numeric and decimal point <u>only</u>—No dollar signs (\$) or commas).</p> <p>d. Decimal point must be shown even when the entry is even dollars.</p>
9	R-If Applicable	Advance EIC Payments.	<p>Required for certain types of employers reporting Advance EIC Payments.</p> <p>a. The total advanced earned income credit calculation for the employer is a function of preparing the paper W-3 report, based on the W-2 statements produced in the physical report submission.</p> <p>b. Calculate a total money amount equal to the sum of the amounts reported in box 9 of Forms W-2 for that report.</p> <p>c. A dollar sign (\$) should not be added to the entry.</p>	<p>a. Must either be blank or a money amount.</p> <p>b. When an entry is made, the total must equal the total combined entries of box 9 of the W-2 forms (excluding voided forms W-2).</p> <p>c. If not blank, must be dollars and cents (numeric and decimal point <u>only</u>—No dollar signs (\$) or commas).</p> <p>d. Decimal point must be shown even when the entry is even dollars.</p>
10	R-If Applicable	Dependent Care Benefits.	<p>Required for employer's reporting dependent care benefits.</p> <p>a. The total dependent care benefit calculation is a function of preparing the paper W-3 report, based on the W-2 statements produced in the physical report submission.</p>	<p>a. Must either be blank or a money amount.</p> <p>b. When an entry is made, the total must equal the total combined entries of box 10 of the W-2 forms (excluding voided forms W-2).</p> <p>c. If not blank, must be dollars and cents</p>

PART 2: PAPER FORM W-3

<u>W-3 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
			<ul style="list-style-type: none"> b. Calculate a total money amount equal to the sum of the amounts reported in box 10 of the Forms W-2 for that report. c. A dollar sign (\$) should not be added to the entry. 	<ul style="list-style-type: none"> (numeric and decimal point <u>only</u>—No dollar signs (\$) or commas). d. Decimal point must be shown even when the entry is even dollars.
11	R-If Applicable	Nonqualified Plans.	<ul style="list-style-type: none"> a. Required for employers reporting (1) distributions to employees from a nonqualified deferred compensation plan and/or a Section 457 plan and/or (2) amounts deferred under a nonqualified plan that became taxable during the tax year. b. Calculate a total money amount equal to the sum of the amounts reported in box 11 of the Forms W-2 for that report. c. A dollar sign (\$) should not be added to the entry. 	<ul style="list-style-type: none"> a. Must either be blank or a money amount. b. When an entry is made, the total must equal the total combined entries of box 11 of the W-2 forms (excluding voided forms W-2). c. If not blank, must be dollars and cents (numeric and decimal point <u>only</u>—No dollar signs (\$) or commas). d. Decimal point must be shown even when the entry is even dollars.
12	R-If Applicable	Deferred Compensation.	<ul style="list-style-type: none"> a. Required for all employers reporting employee contributions to qualified deferred compensation plans. b. Calculate a total money amount equal to the sum of the amount with codes D through H and S reported in box 12 of the Forms W-2 for that report. c. A dollar sign (\$) should not be added to the entry. d. Do not enter a Code. 	<ul style="list-style-type: none"> a. Must either be blank or a money amount. b. When an entry is made, the total must equal the total combined entries of box 12 code D, E, F, G, H and/or S of the W-2 forms (excluding voided forms W-2). c. If not blank, must be dollars and cents (numeric and decimal point <u>only</u>—No dollar signs (\$) or commas). e. Decimal point must be shown even when

PART 2: PAPER FORM W-3

<u>W-3 BOX</u>	<u>REQUIRED-R OPTIONAL-O</u>	<u>NAME/ DESCRIPTION</u>	<u>STANDARDS FOR HUMAN RESOURCE DEPARTMENTS</u>	<u>SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS</u>
				the entry is even dollars.
13	R-If Applicable	For third-party sick pay use only	Third-party payers of sick pay filing third-party sick pay recap Forms W-2 and W-3 must enter "Third-Party Sick Pay Recap" in this box.	Must contain the entry "Third-party sick pay recap" or be blank.
14	R-If Applicable	Income tax withheld by third-party sick pay payer.	a. Required if you have employees who had income tax withheld on third-party payments of sick pay. b. Entry should be numeric and cannot be negative. c. A dollar sign (\$) should not be added to the entry.	a. Must be either blank or a money amount. b. When an entry is made it must be dollars and cents (numeric and decimal point <u>only</u> —No dollar signs (\$) or commas).
NOTE: See IRS instructions for Form W-2 and IRS Circular E (Publication 15) for more information on Form W-3, Box 14 requirements. For additional information on sick pay reporting, see IRS Publication 15-A, Employer's Supplemental Tax Guide. For additional information, please contact IRS for copies of its instructions and additional guidance (see Appendix B); do not contact SSA.				
15-19	O	State tax information.	Not required by SSA.	Not required by SSA.
	O	Contact person, telephone number, E-mail Address, Fax number	Not required by SSA.	Not required by SSA.

Where to File

All Forms W-3 and W-2 (Copy A) are processed at the Wilkes-Barre Data Operations Center. Completed forms should be sent to:

If United States Postal Service

Send to:

Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001
**(For Certified Mail use ZIP code
18769-0002)**

Other IRS Approved Private Delivery Service

Send to:

Social Security Administration
Data Operations Center
Attn: W-2 Process
1150 E. Mountain Dr.
Wilkes-Barre, PA 18702-7997

When to File

File TY 2001 Forms W-3 and Copy A of Forms W-2 with SSA by February 28, 2002.

Extension to File Copy A -- You may request an extension of time for filing Form W-2 (Copy A) by sending **IRS Form 8809, Request for Extension of Time to File Information Returns**, to the address shown on that form. This form can be obtained online at www.irs.gov/forms or you can contact your local IRS office, or call 1-800-829-3676. **Note:** Even if you are given an extension of time to file Forms W-2 (Copy A) and Form W-3, you must still furnish Form W-2 to your employees by January 31, 2002.

NOTE: Terminating Business--If you terminate your business, you must provide Form (s) W-2 to your employees for the calendar year of termination by the due date your final Form 941. Additionally, you must file Forms W-2 with the SSA by the last day of the month that follows the due date of your final Form 941.

CHAPTER 4

REPORTING EXAMPLES FOR PREPARING PAPER FORMS W-2, W-3 AND 941

Introduction

This Chapter provides examples of proper/improper paper reporting. Included are examples of correctly prepared reports together with reports with errors that could have been prevented had the software used to prepare them complied with the specifications and edits. Documents covered include:

- Form W-2, Wage and Tax Statement;
- Form W-3, Transmittal of Wage and Tax Statements; and
- Form 941, Employer's Quarterly Federal Tax Return.

Inquiries

Questions concerning the examples and information in this Chapter should be directed to the regional Employer Services Liaison Officer listed in Appendix A. However, tax questions or questions on tax law and regulations (including Form 941) must be addressed to the IRS Information Reporting Program Call Site at telephone number 304-263-8700 (Not a Toll Free Number). Suggestions for improving this Chapter should be directed in writing to the address on page 8.

Background

Employers are required to compute employee withholding and employer matching contributions separately for Social Security and Medicare. The following table shows the Social Security and Medicare tax rates and wage bases for TY 2001.

**Social Security and Medicare
Table of Tax Rates and Wage Bases
TY 2001**

<u>Federal Program</u>	<u>Taxable Earnings</u>	<u>Employee Withholding</u>	<u>Employer's Matching Contribution</u>	<u>Combined FICA Rate</u>
Social Security	\$ 80,400	6.20%	6.20%	12.40%
Medicare	All*	<u>1.45%</u>	<u>1.45%</u>	<u>02.90%</u>
Total FICA Rate		7.65%	7.65%	15.30%

* There is no limit on the amount of wages and tips that are subject to Medicare tax.

STATE AND LOCAL GOVERNMENT EMPLOYERS

State and local government employers can choose one of two methods to report instances where an employee earns (1) MQGE wages subject only to the Medicare tax and (2) wages subject to both social security and Medicare taxes (full FICA) in the same tax year for the same employer.

Whenever this situation occurs, employers have the option of reporting employee wages and tax withheld on either a combined or split-report basis, as described below:

- One form W-2 for each employee, combining both the MQGE-only wages and the full-FICA wages for the TY, or
- Separate Forms W-2 for each employee for the TY—one to report the MQGE-only wages and tax withheld and another to report the full-FICA wages and taxes withheld.

The case scenario which follows illustrates various reporting situations for the Cabot Cove School District in TY 2001. The scenario consists of the following information:

- Part 1 : Employer Wage and Tax Deposit Data - Forms 941, W-3 and W-2;
- Part 2 : Employee Wage and Tax Statements - Forms W-3 and W-2; and
- Exhibits: Payroll Register Data Tables.

PART 1

EMPLOYER WAGE AND TAX DEPOSIT DATA

FORMS 941, W-3 AND W-2

Introduction

Part 1 contains four quarterly (and one annual mock-up of) IRS Forms 941, two Forms W-3, and eleven Forms W-2 from the Cabot Cove School District. This information illustrates how:

- Cabot Cove reported its quarterly payroll and tax deposit data to IRS;
- The annual sum of Cabot Cove's quarterly Form 941 data should agree with Cabot Cove's W-3 data for the same calendar year; and
- Cabot Cove's W-3 data agree with employees' W-2 data.

The annual Form 941 mock-up (page 55) is used to show how you could use a Form 941 or other work sheet to check the accuracy of your reporting for the year. This form balances to (1) the sum of the quarterly Forms 941 (pages 51 through 54), (2) the sum of the two Forms W-3 (pages 56 and 62) and (3) the sum of the eleven Forms W-2 (pages 57 through 61 and 63). In addition, the first Form W-3 (page 56) includes wage and tax data compiled under the combined reporting option elected by Cabot Cove, which consolidated both the MQGE and full-FICA wages earned by an employee based on that employee's continuing work in employment that became covered under FICA during the year. The Form W-3 on page 56 also includes FICA-exempt employee wages compiled under the combined reporting option for wages not subject to FICA tax (employer's also have the option of grouping FICA-exempt wages and reporting those wages under a separate Form W-3). The second Form W-3 (page 62) contains MQGE wage and tax data only.

Cabot Cove's Forms 941, W-3 and W-2 contained in Part 1 are correct examples because they meet the following criteria.

Payroll Register versus Forms 941

- Each quarterly Form 941 balances to (1) the sum of the corresponding employee payroll register data for each quarter (Exhibits, 2-1, 2-2, 2-3, and 2-4) and (2) the corresponding annual payroll register summary data (Exhibit 3) for each of the following:
 - a. Total wages, tips and other compensation and Federal income tax withheld;
 - b. Taxable Social Security wages and taxable Social Security tips; and
 - c. Taxable Medicare wages and tips.
- In terms of Social Security and Medicare wages and tips, Cabot Cove limited tax withholdings

to the applicable Social Security wage base (\$80,400) and Medicare wage base (total employee compensation) for TY 2001.

- Regarding sick pay, Cabot Cove:
 - a. Treated sick pay payments correctly in terms of identifying wages representing (1) only the percentage of the premium cost of the sick pay plan borne by Cabot Cove as Federally taxable wages and (2) only the first 6 months of sick pay as taxable Social Security and Medicare wages; and
 - b. Properly adjusted the Social Security and Medicare taxes withheld on each applicable Form 941 (line 9) to reflect (1) employee taxes withheld and paid by a third-party payer and (2) uncollected employee Social Security and Medicare taxes.

Forms 941 versus Forms W-3

- The employer's EIN is valid and the name and address are correct on each type of form; both are reported consistently.
- The following data from the Forms W-3 balance to the annual sum of the four quarterly Forms 941:
 - a. Wages, tips and other compensation and Federal income tax withheld;
 - b. Social Security wages and Social Security tips; and
 - c. Medicare wages and tips.
- Regarding the Form W-3, Cabot Cove properly reported the income tax withheld by a third-party payer in Box 15 of the Form W-3, based on sick payments made to an employee by a third-party.

Forms W-3 versus Forms W-2

- Each Form W-3 identifies the proper type of employment in Box b for the accompanying Forms W-2.
- The sum of all wages and tax withheld on the Forms W-2 balance to the aggregate wages and tax withheld on the Forms W-3.
- Regarding the Forms W-2, all:
 - a. SSNs are valid;
 - b. Employee names are properly printed (i.e., first, middle initial, last) and are consistent with the names printed on their Social Security cards (see Exhibit 1);
 - c. EINs are valid and both the EIN and employer address are consistently reported on each

- form; and
- d. Money amount boxes are properly prepared because they do not contain alpha entries (except for Box 13), negative amounts, special characters or punctuation.
- In terms of Social Security wages and tips, Cabot Cove limited tax withholdings on the Forms W-2 to the applicable Social Security wage base (\$80,400) for TY 2001.
 - Regarding Social Security and Medicare taxes withheld, the money amounts reported reflect the proper withholding rates of 6.2 percent and 1.45 percent respectively.
 - Regarding Group-Term Life Insurance (GTLI) over \$50,000, Cabot Cove:
 - a. Used the Form W-2 to report the taxable cost of GTLI over \$50,000; and
 - b. Treated the cost of GTLI over \$50,000 as income and withheld only the FICA tax on that income for current (not retired) employees.
 - Cabot Cove properly reported nonqualified deferred compensation by:
 - a. Including on the Form W-2 contributions to the plan¹ in Boxes 3 and 5 and reporting the respective tax withholdings on those contributions in boxes 4 and 6; and
 - b. Including on the Form W-2 distributions from the plan as income in box 1 and reporting Federal income tax withholding on those distributions in box 2.

¹ Contributions that became taxable during the year based on the later of (1) when the services giving rise to the deferral are performed or (2) when there is no substantial forfeiture risk of rights to the deferred amounts.

Enter state code for state in which deposits were made ONLY if different from state in address to the right (see page 3 of instructions).

Name(as distinguished from trade name)

Date quarter ended

CABOT COVE SCHOOL

March 31, 2001

Trade name, if any

Employer identification number

55-5678910

Address (number and street)

City, state, and ZIP code

123 EDUCATION WAY

BALTIMORE, MD 21201

If address is different from prior return, check here ☐

1 1 1 1 1 1 1 1 2 3 3 3 3 3 3 4 4 4

5 5 5 6 7 8 8 8 8 8 9 9 9 10 10 10 10 10 10 10 10

If you do not have to file returns in the future, check here ☐ and enter date final wages paid

If you are a seasonal employer, see Seasonal employers on page 1 of the instructions and check here

1	Number of employees (except household) employed in the pay period that includes March 12th	1	10
2	Total wages and tips, plus other compensation	2	140594 63
3	Total income tax withheld from wages, tips, and sick pay	3	28118 93
4	Adjustment of withheld income tax for preceding quarters of calendar year	4	
5	Adjusted total of income tax withheld (line 3 as adjusted by line 4 - see instructions)	5	28118 93
6	Taxable social security wages	6a	\$ 97260 88 X12.4%(.124) = 6b 12060 35
	Taxable social security tips	6c	\$ 1008 75 X12.4%(.124) = 6d 125 09
7	Taxable Medicare wages and tips	7a	\$ 126894 63 X 2.9%(.029) = 7b 3679 94
8	Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax <input type="checkbox"/>	8	15865 38
9	Adjustment of social security and Medicare taxes (see instructions for required explanation) Sick Pay \$ _____ ± Fractions of Cents \$ _____ ± Other \$ _____ =	9	
10	Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9-see instructions)	10	15865 38
11	Total taxes (add lines 5 and 10)	11	43984 31
12	Advance earned income credit (EIC) payments made to employees.	12	
13	Net taxes (subtract line 12 from line 11). This should equal line 17, column (d) below (or line D of Schedule B (Form 941)).	13	43984 31
14	Total deposits for quarter, including overpayment applied from a prior quarter	14	43984 31
15	Balance due (subtract line 14 from line 13). See instructions	15	
16	Overpayment, if line 14 is more than line 13, enter excess here \$ _____ and check if to be: <input type="checkbox"/> Applied to next return OR <input type="checkbox"/> Refunded.		

o All filers: If line 13 is less than \$500, you need not complete line 17 or Schedule B.

o Semiweekly schedule depositors: Complete Schedule B and check here

o Monthly schedule depositors: Complete line 17, columns (a) through (d) and check here

17 Monthly Summary of Federal Tax Liability. Do not complete if you are a semiweekly schedule depositor			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
14661.44	14661.44	14661.43	43984.31

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

**Sign
Here**

Signature

Print Your Name and Title

Date _____

For Paperwork Reduction Act Notice, see page 1 of separate instructions.

Cat. No. 17001Z

Form 941 (R 1-2001)

Form 941

Employer's Quarterly Federal Tax Return

(Rev. January 2001)
Department of the Treasury
Internal Revenue Service (U)

4141

See separate instructions for information on completing this form

Please type or print.

Enter state code for state in which deposits were made ONLY if different from state in address to the right (see page 3 of instructions).

Name(as distinguished from trade name)

Date quarter ended

CABOT COVE SCHOOL

September 30, 2001

Trade name, if any

Employer identification number

55-5678910

Address (number and street)

City, state, and ZIP code

123 EDUCATION WAY

Baltimore, MD 21201

If address is different from prior return, check here ☐

If you do not have to file returns in the future, check here ☐ and enter date final wages paid

If you are a seasonal employer, see Seasonal employers on page 1 of the instructions and check here

† Number of employees (except household) employed in the pay period that includes March 12th

2	Total wages and tips, plus other compensation	2	125484	83
3	Total income tax withheld from wages, tips, and sick pay	3	25096	97
4	Adjustment of withheld income tax for preceding quarters of calendar year	4		
5	Adjusted total of income tax withheld (line 3 as adjusted by line 4 - see instructions)	5	25096	97
6	Taxable social security wages	6a	\$70876	08
			X12.4%(.124) =	
	Taxable social security tips	6c	\$1008	75
			X12.4%(.124) =	
7	Taxable Medicare wages and tips	7a	\$106984	83
			X 2.9%(.029) =	
8	Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax	8	12016	28
9	Adjustment of social security and Medicare taxes (see instructions for required explanation)	9	<367	20>
	Sick Pay \$ 367.20 ± Fractions of Cents \$ ± Other \$ =	10	11649	08
10	Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9-see instructions)	11	36746	05
11	Total taxes (add lines 5 and 10)	12		
12	Advance earned income credit (EIC) payments made to employees.	13	36746	05
13	Net taxes (subtract line 12 from line 11). This should equal line 17, column (d) below (or line D of Schedule B (Form 941)).	14	36746	05
14	Total deposits for quarter, including overpayment applied from a prior quarter	15		
15	Balance due (subtract line 14 from line 13). See instructions			
16	Overpayment, if line 14 is more than line 13, enter excess here			
	and check if to be:			
	<input type="checkbox"/> Applied to next return			
	OR			
	<input type="checkbox"/> Refunded.			

o All filers: If line 13 is less than \$500, you need not complete line 17 or Schedule B.

o Semiweekly schedule depositors: Complete Schedule B and check here

o Monthly schedule depositors: Complete line 17, columns (a) through (d) and check here

17 Monthly Summary of Federal Tax Liability. Do not complete if you are a semiweekly schedule depositor.

(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
12248.68	12248.68	12248.69	36746.05

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

**Sign
Here**

Signature

Print Your Name and Title

Date _____

For Paperwork Reduction Act Notice, see page 1 of separate instructions.

Cat. No. 17001Z

Form 941 (R 1-2001)

Combined W-3 for full-FICA W-2s, FICA-Exemp W-2, and optional combined MQGE and full-fica W-2

a Control number		33333	For Official Use Only OMB No. 1545-0008	
b Kind of Payer	941	Military	943	
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
		Hshld	Medicare	third-party
	CT-1	emp	govt. emp.	sick pay
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c Total number of forms W-2		d Establishment number		
10				
e Employer identification number		7 Social security wages		2 Federal income tax withheld
55-5678910		\$ 475059.00		\$ 94846.80
f Employer's name		3 Social security taxes		4 Social security tax withheld
CABOT COVE SCHOOL		\$ 369574.00		\$ 23121.91
123 EDUCATION WAY		5 Medicare wages and tips		6 Medicare tax withheld
Baltimore, MD 21201		\$ 459659.00		\$ 6665.05
g employer's address and ZIP code		7 Social security tips		8 Allocated tips
		\$ 4035.00		\$
h Other EIN used this year		9 Advance EIC payments		10 Dependent care benefits
				\$
15 State		11 Nonqualified plans		12 Deferred compensation
Employer's state ID number		\$		\$
		13 For third-party sick pay use only		
		14 Income tax withheld by payer of third-party sick pay		
		\$ 2240.00		
16 State wages, tips, etc.		17 State income tax		
\$		\$		
18 Local wages, tips, etc.		19 Local income tax		
\$		\$		
Contact person		Telephone number		For Official Use Only
E-mail address		Fax number		
		()		
		()		

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete

Signature

Title

Date

Form

W-3 Transmittal of Wage and Tax Statements

2001

Department of the Treasury
Internal Revenue Service

Active/full-FICA

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 55-5678910			1 Wages, tips, other compensation \$ 45229.00		2 Federal income tax withheld \$ 9045.80		
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201			3 Social security wages \$ 45229.000		4 Social security tax withheld \$ 2804.20		
			5 Medicare wages and tips \$ 45229.00		6 Medicare tax withheld \$ 655.82		
			7 Social Security tips \$		8 Allocated tips \$		
			9 Advance EIC payment \$		10 Dependent care benefits \$		
d Employee's social security number 699-01-0101		e Employee's first name and initial ELIZABETH L		Last name STROSNIDER		11 Nonqualified plans -	
f Employee's address and Zip code 507 ELM RD BALTIMORE, MD 21201		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 -		12b -	
		14 Other		12c -		12d -	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax		18 Local Wages, tips, etc.	
		\$				19 Local Income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
 Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act notice, see separate instructions

Active /full-FICA

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 55-5678910			1 Wages, tips, other compensation \$ 35550.00		2 Federal income tax withheld \$ 7110.00		
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201			3 Social security wages \$ 31515.00		4 Social security tax withheld \$ 2204.10		
			5 Medicare wages and tips \$ 35550.00		6 Medicare tax withheld \$ 515.48		
			7 Social Security tips \$ 4035.00		8 Allocated tips \$		
			9 Advance EIC payment \$		10 Dependent care benefits \$		
d Employee's social security number 234-56-7890		e Employee's first name and initial DIEGO		Last name GARCIA-VEGA		11 Nonqualified plans -	
f Employee's address and Zip code 432 SMITH AVE. BALTIMORE, MD 21201		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 -		12b -	
		14 Other		12c -		12d -	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax		18 Local Wages, tips, etc.	
		\$				19 Local Income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
 Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act notice, see separate instructions

Active/full-FICA

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 55-5678910			1 Wages, tips, other compensation \$ 136000.00		2 Federal income tax withheld \$ 27200.00		
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201			3 Social security wages \$ 80400.00		4 Social security tax withheld \$ 4984.80		
			5 Medicare wages and tips \$ 136000.00		6 Medicare tax withheld \$ 1972.00		
			7 Social Security tips \$		8 Allocated tips \$		
			9 Advance EIC payment \$		10 Dependent care benefits \$		
d Employee's social security number 567-89-0123		e Employee's first name and initial TAE-JIN		Last name KIM		11 Nonqualified plans -	
f Employee's address and Zip code 567 EASTERN AVE. BALTIMORE, MD 21201		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 -		12b -	
		14 Other		12c -		12d -	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax \$		18 Local Wages, tips, etc.	
						19 Local Income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
 Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

Active/full-FICA

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 55-5678910			1 Wages, tips, other compensation \$ 27383.00		2 Federal income tax withheld \$ 5476.60		
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201			3 Social security wages \$ 25783.00		4 Social security tax withheld \$ 1598.55		
			5 Medicare wages and tips \$ 25783.00		6 Medicare tax withheld \$ 373.85		
			7 Social Security tips \$		8 Allocated tips \$		
			9 Advance EIC payment \$		10 Dependent care benefits \$		
d Employee's social security number 456-78-9012		e Employee's first name and initial JOSE		Last name SCHAEFFER		11 Nonqualified plans -	
f Employee's address and Zip code 901 AIRY WAY BALTIMORE, MD 21201		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 \$ 7466.67		12b -	
		14 Other SK PAY - Acme Ins. Co.		12c -		12d -	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax \$		18 Local Wages, tips, etc.	
						19 Local Income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
 Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

Active/full-FICA

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008									
b Employer Identification number 55-5678910			1 Wages, tips, other compensation \$ 25172.00		2 Federal income tax withheld \$ 5034.40									
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201			3 Social security wages \$ 25172.00		4 Social security tax withheld \$ 1560.66									
			5 Medicare wages and tips \$ 25172.00		6 Medicare tax withheld \$ 364.99									
			7 Social Security tips \$		8 Allocated tips \$									
			9 Advance EIC payment \$		10 Dependent care benefits \$									
d Employee's social security number 678-90-1234		e Employee's first name and initial LOIS G		Last name SHEPPARD		11 Nonqualified plans -								
f Employee's address and Zip code 945 BOWSER ST. BALTIMORE, MD 21201		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 -		12b -								
		14 Other		12c -		12d -								
f Employee's address and Zip code			15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax		18 Local Wages, tips, etc.		19 Local income tax		20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
 Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

Active (MQGE/full-FICA)

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008									
b Employer Identification number 55-5678910			1 Wages, tips, other compensation \$ 60500.00		2 Federal income tax withheld \$ 12100.00									
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201			3 Social security wages \$ 30250.00		4 Social security tax withheld \$ 1875.50									
			5 Medicare wages and tips \$ 60500.00		6 Medicare tax withheld \$ 877.25									
			7 Social Security tips \$		8 Allocated tips \$									
			9 Advance EIC payment \$		10 Dependent care benefits \$									
d Employee's social security number 023-45-6789		e Employee's first name and initial JOHN R		Last name McNAMARA		11 Nonqualified plans -								
f Employee's address and Zip code 800 CLARK RD SEVERN, MD 21144		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 -		12b -								
		14 Other		12c -		12d -								
f Employee's address and Zip code			15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax		18 Local Wages, tips, etc.		19 Local income tax		20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
 Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

Active/full-FICA-exempt

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 55-5678910			1 Wages, tips, other compensation \$ 56000.00		2 Federal income tax withheld \$ 11200.00		
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201			3 Social security wages \$		4 Social security tax withheld \$		
			5 Medicare wages and tips \$		6 Medicare tax withheld \$		
			7 Social Security tips \$		8 Allocated tips \$		
			9 Advance EIC payment \$		10 Dependent care benefits \$		
d Employee's social security number 701-23-4567		e Employee's first name and initial MARY V		Last name SMITH		11 Nonqualified plans -	
f Employee's address and Zip code 1205 TOWER ST BALTIMORE, MD 21201		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 -		12b -	
		14 Other		12c -		12d -	
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Form **W-2** Wage and Tax Statement **2001**
 Copy A For Social Security Administration Cat. No. 10134D

Department of the Treasury-Internal Revenue Service
 For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

Active/full-FICA)

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 55-5678910			1 Wages, tips, other compensation \$ 50150.00		2 Federal income tax withheld \$ 10000.00		
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201			3 Social security wages \$ 50150.00		4 Social security tax withheld \$ 3109.30		
			5 Medicare wages and tips \$ 50150.00		6 Medicare tax withheld \$ 727.18		
			7 Social Security tips \$		8 Allocated tips \$		
			9 Advance EIC payment \$		10 Dependent care benefits \$		
d Employee's social security number 666-78-9012		e Employee's first name and initial THOMAS J		Last name MASON		11 Nonqualified plans -	
f Employee's address and Zip code 911 BANK ST BALTIMORE, MD 21224		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 C \$ 150.00		12b \$	
		14 Other		12c \$		12d -	
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Form **W-2** Wage and Tax Statement **2001**
 Copy A For Social Security Administration Cat. No. 10134D

Department of the Treasury-Internal Revenue Service
 For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-5678910				1 Wages, tips, other compensation \$ 38400.00		2 Federal income tax withheld \$ 7680.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 80400.00		4 Social security tax withheld \$ 4984.80	
				5 Medicare wages and tips \$ 80600.00		6 Medicare tax withheld \$ 1168.70	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
				11 Nonqualified plans -		12a See instructions for box 12 -	
d Employee's social security number 719-54-3210				13 Statutory employee Retirement Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b -	
e Employee's first name and initial Last name NICOLE CRAIG 657 JOE RD BALTIMORE, MD 21202				14 Other		12c - 12d -	
f Employee's address and Zip code							
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local Wages, tips, etc.	
						19 Local Income tax	
						20 Locality name	

Retired/full-FICA)

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008			
b Employer Identification number 55-5678910				1 Wages, tips, other compensation \$ 675.00		2 Federal income tax withheld \$	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 675.00		4 Social security tax withheld \$	
				5 Medicare wages and tips \$ 675.00		6 Medicare tax withheld \$	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 543-21-0987				11 Nonqualified plans		12a See instructions for box 12 C \$ 675.00	
e Employee's first name and initial SAMUEL L		Last name JOHNSON		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b M \$ 41.85	
1122 CHERRY LANE RD SEVERN, MD 21144				14 Other		12c N \$ 9.79	
						12d -	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local income tax	20 Locality name	

61

W-3 for MQGE W-2s

a Control number		For Official Use Only OMB No. 1545-0008			
b Kind of Payer	941 <input type="checkbox"/>	Military <input type="checkbox"/>	943 <input type="checkbox"/>	1 Wages, tips, other compensation	2 Federal income tax withheld
		Hshld emp <input type="checkbox"/>	Medicare govt. emp. <input checked="" type="checkbox"/>	\$ 54000.00	\$ 10800.00
	CT-1 <input type="checkbox"/>		third-party sick pay <input type="checkbox"/>	3 Social security wages	4 Social security tax withheld
c Total number of forms W-2		d Establishment number		5 Medicare wages and tips	6 Medicare tax withheld
1				\$ 54000.00	\$ 783.00
e Employer identification number				7 Social security tips	8 Allocated tips
55-5678910				\$	\$
f Employer's name				9 Advance EIC payments	10 Dependent care benefits
CABOT COVE SCHOOL					\$
123 EDUCATION WAY Baltimore, MD 21201				Nonqualified plans	12 Deferred compensation
				\$	\$
				13 For third-party sick pay use only	
g Employer's address and ZIP code				14 Income tax withheld by payer of third-party sick pay	
h Other EIN used this year				\$	
15 State		Employer's state ID number		16 State wages, tips, etc.	17 State income tax
				\$	\$
				18 Local wages, tips, etc.	19 Local income tax
				\$	\$
Contact person				Telephone number	For Official Use Only
E-mail address				Fax number	
				()	
				()	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature

Title

Date

Form

W-3

Transmittal of Wage and Tax Statements

2001

Department of the Treasury
Internal Revenue Service

a Control number 22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008			
b Employer Identification number 55-5678910				1 Wages, tips, other compensation \$ 54000.00		2 Federal income tax withheld \$ 10800.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$		4 Social security tax withheld \$	
				5 Medicare wages and tips \$ 54000.00		6 Medicare tax withheld \$ 783.00	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 345-67-8901		e Employee's first name and initial ALFREDO G		Last name MARANO		11 Nonqualified plans \$	
123 MAPLE STREET BALTIMORE, MD 21201		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 \$		12b \$	
		14 Other		12c \$		12d \$	
f Employee's address and Zip code							
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax		18 Local Wages, tips, etc.	
						19 Local Income tax	
						20 Locality name	

Wage and Tax
Statement

2001

Department of the Treasury-Internal Revenue Service

Form **W-2**

For Privacy Act and Paperwork Reduction
Act Notice, see separate instructions

Copy A For Social Security Administration-Send this entire
page with Form W-3 to the Social Security Administration;
photocopies are not acceptable.

Cat. No. 10134D

Do Not Cut, Fold, or Staple Forms on This Page - Do Not Cut, Fold, or Staple Forms on This Page

PART 2

EMPLOYEE WAGE AND TAX STATEMENTS

FORMS W-3 AND W-2

Introduction

Part 2 contains Forms W-2 and various supporting Forms W-3. This information illustrates, on pages 67 through 82, correct versus incorrect reporting for:

- Employee names and SSNs;
- An EIN;
- Social Security wages and taxes;
- Medicare wages and taxes;
- FICA-Exempt wages and taxes;
- GTLI over \$50,000;
- Third-party sick pay; and
- Nonqualified deferred compensation.

Part 2 also illustrates both the split and combined reporting options for a State or Local Government employee who earned wages subject to the Medicare tax only, then became covered for full-FICA effective July 1, 2001.

- Two sets of W-2/W-3 forms (pages 83-84) illustrate the split reporting option with wages earned under each type of employment. The data on each Form W-2 is separately isolated for that employee on a corresponding Form W-3 to illustrate how Cabot Cove should incorporate the Form W-2 data on separate Forms W-3, each reflecting a different type of employment.
- One set of Forms W-2/W-3 (page 85) illustrates the combined reporting option and isolates how the Form W-3 should reflect only one type of employment (i.e., 941).

A. Elizabeth Lee Strosnider is an employee subject to full-FICA. No tips were earned. The following W-2 facsimile illustrates the correct way to prepare the W-2

Form

W-2

Wage and Tax Statement

2001

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

Copy A For Social Security Administration

Cat. No. 10134D

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-5678910				1 Wages, tips, other compensation \$ 45229.00		2 Federal income tax withheld \$ 9045.80	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 45229.00		4 Social security tax withheld \$ 2804.20	
				5 Medicare wages and tips \$ 45229.00		6 Medicare tax withheld \$ 655.82	
				7 Social Security tips \$		8 Allocated tips \$	
d Employee's social security number 555-67-8910				9 Advance EIC payment \$		10 Dependent care benefits \$	
e Employee's first name and initial BETTY L		Last name STROSNIDER		11 Nonqualified plans -		12a See instructions for box 12 -	
567 ELM RD BALTIMORE, MD 21201				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b -	
				14 Other		12c -	
						12d -	
f Employee's address and Zip code							
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local Wages, tips, etc.	
						19 Local Income tax	
						20 Locality name	

Form W-2 Copy A For Social Security Administration	Wage and Tax Statement 2001 Cat. No. 10134D	Department of the Treasury-Internal Revenue Service For Privacy Act and Paperwork Reduction Act Notice, see separate instructions
--	---	---

The W-2 above is incorrect because the preparer recorded the EIN in box d. "Employee's Social Security number" and used the employee's nickname in box e. "Employee's name" instead of the proper first name. The name used in box e should be same as the name shown on the Social Security card. Recording an incorrect or improper name may result in SSA being unable to credit the wages to the employee's Social Security record. A typical error, as in this example, occurs when the preparer substitutes a nickname for the proper first name. Incorrect SSNs are also a common problem. Preparers frequently transpose digits, use another person's SSN, enter the EIN instead of the SSN or fail to record the complete SSN.

a Control number		22222		OMB No. 1545-0008	
b Employer Identification number		55-5678910		1 Wages, tips, other compensation	
				\$ 35550.00	
c Employer's name, address, and ZIP code		CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201		2 Federal income tax withheld	
				\$ 7110.00	
				3 Social security wages	
				\$ 31515.00	
				4 Social security tax withheld	
				\$ 2204.10	
				5 Medicare wages and tips	
				\$ 35550.00	
				6 Medicare tax withheld	
				\$ 515.48	
				7 Social Security tips	
				\$ 4035.00	
d Employee's social security number		234-56-7890		8 Allocated tips	
				\$	
e Employee's first name and initial		Last name		9 Advance EIC payment	
DIEGO		GARCIA-V-VEGA		\$	
432 SMITH AVE BALTIMORE, MD 21201				11 Nonqualified plans	
				12a See instructions for box 12	
				-	
				-	
				-	
				13 Statutory Retirement Third-party employee plan sick pay	
				12b	
				-	
				12c	
				-	
				12d	
				-	
f Employee's address and Zip code				14 Other	
15 State		Employer's state ID number		16 State wages, tips, etc.	
				17 State income tax	
				18 Local Wages, tips, etc.	
				19 Local income tax	
				20 Locality name	

The following W-2 for Diego Garcia-y-Vega is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-5678910				1 Wages, tips, other compensation \$ 35550.00		2 Federal income tax withheld \$ 7110.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 31515.00		4 Social security tax withheld \$ 2719.58	
				5 Medicare wages and tips \$ 35550.00		6 Medicare tax withheld	
				7 Social Security tips \$ 4035.00		8 Allocated tips	
				9 Advance EIC payment \$		10 Dependent care benefits	
d Employee's social security number 234-56-7890		e Employee's first name and initial DIEGO		Last name GARCIA-V-VEGA		11 Nonqualified plans	
432 SMITH AVE. BALTIMORE, MD 21201				13		12a See instructions for box 12	
				Statutory employee plan Retirement sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b	
				14 Other		12c	
						12d	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

The W-2 above is incorrect because the preparer neglected to calculate the Medicare tax liability and failed to apply the correct tax rate to Social Security wages and tips (by applying the combined Social Security/Medicare tax rate of 7.65 percent to the total Social Security wages instead of the correct Social Security rate of 6.2 percent). The taxes should have been calculated as follows:

Medicare tax withheld: $(\$35,550.00 \text{ [box5]}) \times 1.45\% = \515.48

C. Alfredo Giuseppe Richardo Marano is an employee subject to Medicare taxes only.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008			
b Employer Identification number 55-5678910						1 Wages, tips, other compensation \$ 54000.00		2 Federal income tax withheld \$ 10800.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201						3 Social security wages \$		4 Social security tax withheld \$	
						5 Medicare wages and tips \$ 54000.00		6 Medicare tax withheld \$ 783.00	
						7 Social Security tips \$		8 Allocated tips \$	
						9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 345-67-8901						11 Nonqualified plans -		12a See instructions for box 12 -	
e Employee's first name and initial ALFRED G Last name MARANO 123 MAPLE ST. BALTIMORE, MD 21201						13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b -	
						14 Other		12c -	
								12d -	
								-	
f Employee's address and Zip code									
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name			
		\$							
		\$							

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
 Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act notice, see separate instructions

The following W-2 for Alfredo Giuseppe Richardo Marano is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008			
b Employer Identification number 55-5678910						1 Wages, tips, other compensation \$ 54000.00		2 Federal income tax withheld \$ 10800.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201						3 Social security wages \$ 54000.00		4 Social security tax withheld \$ 3348.00	
						5 Medicare wages and tips \$ 54000.00		6 Medicare tax withheld \$ 783.00	
						7 Social Security tips \$		8 Allocated tips \$	
						9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 345-67-8901						11 Nonqualified plans -		12a See instructions for box 12 -	
e Employee's first name and initial ALFREDO R Last name MARANO 123 MAPLE ST. BALTIMORE, MD 21201						13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b -	
						14 Other		12c -	
								12d -	
								-	
f Employee's address and Zip code									
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name			
		\$							
		\$							

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
 Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act notice, see separate instructions

In this example, the preparer erroneously reported Social Security wages and taxes instead of only reporting Medicare wages and taxes. The preparer also used the wrong middle initial in box e.

D. Tae-Jin Kim is an employee subject to full-FICA.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer Identification number		55-5678910		1 Wages, tips, other compensation	2 Federal income tax withheld
				\$ 136000.00	\$ 27200.00
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld	
		\$ 80400.00		\$ 4984.80	
CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201		5 Medicare wages and tips		6 Medicare tax withheld	
		\$ 136000.00		\$ 1972.00	
d Employee's social security number		7 Social Security tips		8 Allocated tips	
567-89-0123		\$		\$	
e Employee's first name and initial		Last name		9 Advance EIC payment	10 Dependent care benefits
TAE-JIN		KIM		\$	\$
567 EASTERN AVE. BALTIMORE, MD 21201		11 Nonqualified plans		12a See instructions for box 12	
		# Statutory Retirement Third-party employee plan sick pay		12b	
		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		c o n d e n s e d	\$
		14 Other		12c	\$
				12d	\$
f Employee's address and Zip code				12e	\$
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
		\$			
		\$			

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

The following W-2 for Tae-Jin Kim is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer Identification number		55-5678910		1 Wages, tips, other compensation	2 Federal income tax withheld
				\$ 136000.00	\$ 27200.00
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld	
		\$ 80400.00		\$ 4984.80	
CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201		5 Medicare wages and tips		6 Medicare tax withheld	
		\$ 80400.00		\$ 1165.80	
d Employee's social security number		7 Social Security tips		8 Allocated tips	
567-89-0123		\$		\$	
e Employee's first name and initial		Last name		9 Advance EIC payment	10 Dependent care benefits
KIM		TAE-JIN		\$	\$
567 EASTERN AVE. BALTIMORE, MD 21201		11 Nonqualified plans		12a See instructions for box 12	
		13 Statutory Retirement Third-party employee plan sick pay		12b	
		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		c o n d e n s e d	\$
		14 Other		12c	\$
				12d	\$
f Employee's address and Zip code				12e	\$
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
		\$			
		\$			

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

The W-2 above is incorrect because the preparer failed to recognize that the Medicare wage base differs from the Social Security wage base. The preparer inserted the Social Security wage base figure in the Medicare wages and tips box and calculated the Medicare tax amount based on the Social Security wage base figure. The preparer also erred by transposing the employee's first and last name in box e.

E. Mary V. Smith is an employee subject to Federal taxes only.

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-5678910			1 Wages, tips, other compensation \$ 56000.00		2 Federal income tax withheld \$ 11200.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201			3 Social security wages \$		4 Social security tax withheld \$	
			5 Medicare wages and tips \$		6 Medicare tax withheld \$	
			7 Social Security tips \$		8 Allocated tips \$	
			9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 701-23-4567			11 Nonqualified plans -		12a See instructions for box 12 -	
e Employee's first name and initial MARY V. Last name SMITH 1205 TOWER ST. BALTIMORE, MD 21201			13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b -	
			14 Other		12c -	
					12d -	
f Employee's address and Zip code						
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name
		\$				
		\$				

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act notice, see separate instructions

The following W-2 for Mary V. Smith is incorrect. Please review these common errors and the discussion on these errors below the W-2.

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-5678910			1 Wages, tips, other compensation \$ 56000.00		2 Federal income tax withheld \$ 11200.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201			3 Social security wages \$ 56000.00		4 Social security tax withheld \$ 3472.00	
			5 Medicare wages and tips \$ 56000.00		6 Medicare tax withheld \$ 812.00	
			7 Social Security tips \$		8 Allocated tips \$	
			9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 701-23-4567			11 Nonqualified plans -		12a See instructions for box 12 -	
e Employee's first name and initial MARY V. Last name SMITH 1205 TOWER ST. BALTIMORE, MD 21201			13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b -	
			14 Other		12c -	
					12d -	
f Employee's address and Zip code						
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name
		\$				
		\$				

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction Act notice, see separate instructions

In this example the preparer erroneously reported Social Security and Medicare Wages and taxes instead of only Wages, tips and other compensation and Federal income tax withheld. Mary V. Smith is a FICA-Exempt employee

REPORTING GROUP-TERM LIFE INSURANCE OVER \$50,000.

A. Thomas J. Mason is an employee subject to full-FICA. Mason's TY 2001 wages were \$50,000. Mason's insurance coverage is \$150,000. He is 41 years old. He pays \$54 per year for his coverage. The calculated benefit amount to include as taxable income to report for TY 2001 related to GTL1 over \$50,000 is \$150.

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-5678910			1 Wages, tips, other compensation \$ 50150.00		2 Federal income tax withheld \$ 10000.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201			3 Social security wages \$ 50150.00		4 Social security tax withheld \$ 3109.30	
			5 Medicare wages and tips \$ 50150.00		6 Medicare tax withheld \$ 727.18	
			7 Social Security tips \$		8 Allocated tips \$	
			9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 666-78-9012			11 Nonqualified plans		12a See instructions for box 12 C 150	
e Employee's first name and initial THOMAS J. Last name MASON 911 BANK ST. BALTIMORE, MD 21224			13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b \$	
			14 Other		12c \$	
					12d \$	
					12e \$	
f Employee's address and Zip code						
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service

The following W-2 for Thomas J. Mason is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 555-5678910			1 Wages, tips, other compensation \$ 50000.00		2 Federal income tax withheld \$ 10000.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201			3 Social security wages \$ 50000.00		4 Social security tax withheld \$ 3100.00	
			5 Medicare wages and tips \$ 50000.00		6 Medicare tax withheld \$ 725.00	
			7 Social Security tips \$		8 Allocated tips \$	
			9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 666-78-9012			11 Nonqualified plans		12a See instructions for box 12	
e Employee's first name and initial THOMAS J. Last name MASON 911 BANK ST. BALTIMORE, MD 21224			13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b \$	
			14 Other		12c \$	
					12d \$	
					12e \$	
f Employee's address and Zip code						
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service

The W-2 above is incorrect because the preparer failed to include the benefit amount of GTL1 over \$50,000 in the FICA wages and in the wages, tips, other compensation. The preparer also failed to withhold the FICA taxes for the cost of GTL1 over \$50,000. GTL1 is subject to FICA tax withholding only. It is subject to federal income tax, but it is not subject to federal income tax withholding. The preparer also failed to disclose the GTL1 in Box 12 ("code C" is used for GTL1) of the Form W-2.

B. Samuel L. Johnson is a 58 year old retired employee. However he elected to continue his GTL1 coverage through Cabot Cove. His insurance coverage is \$125,000. The calculated benefit amount as taxable income related to GTL1 over \$50,000 is \$675.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-5678910				1 Wages, tips, other compensation \$ 675.00		2 Federal income tax withheld \$	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 675.00		4 Social security tax withheld \$	
				5 Medicare wages and tips \$ 675.00		6 Medicare tax withheld \$	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 543-21-0987				11 Nonqualified plans \$		12a See instructions for box 12 code C \$ 675.00	
e Employee's first name and initial Last name SAMUEL L. JOHNSON 1122 CHERRY LANDE RD SEVERN, MD 21144				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b code M \$ 41.85	
				14 Other		12c code N \$ 9.79	
						12d code \$	
f Employee's address and Zip code				15 State Employer's state ID number		16 State wages, tips, etc.	
				17 State income tax		18 Local Wages, tips, etc.	
						19 Local Income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service

The following W-2 for Samuel L. Johnson is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 555-5678910				1 Wages, tips, other compensation \$ 675.00		2 Federal income tax withheld \$ 135.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$		4 Social security tax withheld \$	
				5 Medicare wages and tips \$		6 Medicare tax withheld \$	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 543-21-0987				11 Nonqualified plans \$		12a See instructions for box 12 code \$	
e Employee's first name and initial Last name SAMUEL L. JOHNSON 1122 CHERRY LANE RD SEVERN, MD 21144				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b code \$	
				14 Other		12c code \$	
						12d code \$	
f Employee's address and Zip code				15 State Employer's state ID number		16 State wages, tips, etc.	
				17 State income tax		18 Local Wages, tips, etc.	
						19 Local Income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service

In this example, the preparer failed to (1) report the GTL1 as Social Security and Medicare wages and (2) disclose the GTL1 (using code C") and uncollected Social Security and Medicare taxes (using "codes M and N" respectively). In addition, the preparer erroneously reported Federal income tax withheld (reported in Box 2).

NONQUALIFIED DEFERRED COMPENSATION

Cabot Cove contributes 2 percent of Nicole Craig's salary to a nonqualified deferred compensation plan (NQDCP). Nicole is not entitled to the total deferred amount under the NQDCP until retirement.

Nicole retired June 30, 2001 at age 55 and earned \$30,000 in salary up to that point.

Cabot Cove contributed \$600 to Nicole's NQDCP in 2001; Cabot Cove's aggregate contribution to Nicole's NQDCP were \$50,600.

Upon retirement, Nicole elects to withdraw \$1,500/month from the NQDCP and withdraws a total of \$9,000 from the plan in TY 2001.

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number			55-5678910		1 Wages, tips, other compensation \$ 38400.00	
c Employer's name, address, and ZIP code			CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201		2 Federal income tax withheld \$ 7800.00	
					3 Social security wages \$ 80400.00	
					4 Social security tax withheld \$ 4984.80	
					5 Medicare wages and tips \$ 80600.00	
					6 Medicare tax withheld \$ 1168.70	
					7 Social Security tips \$	
					8 Allocated tips \$	
d Employee's social security number			719-54-3210		9 Advance EIC payment \$	
e Employee's first name and initial			Last name		10 Dependent care benefits \$	
NICOLE			CRAIG		11 Nonqualified plans \$	
657 JOE RD. BALTIMORE, MD 21202					12a See instructions for box 12 c o d e \$	
					12b c o d e \$	
					12c c o d e \$	
					12d c o d e \$	
f Employee's address and Zip code						
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local income tax	20 Locality name
		\$				
		\$				

The following W-2 for Nicole Craig is incorrect. Please review these errors and the discussion of these errors below the W-2

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-5678910				1 Wages, tips, other compensation \$ 39000.00		2 Federal income tax withheld \$ 6000.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 80400.00		4 Social security tax withheld \$ 4984.80	
				5 Medicare wages and tips \$ 80600.00		6 Medicare tax withheld \$ 1168.70	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 719-54-3210		e Employee's first name and initial NICOLE		Last name CRAIG		11 Nonqualified plans \$ 39000	
657 JOE RD BALTIMORE, MD 21202		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 c o d e \$		12b c o d e \$	
		14 Other		12c c o d e \$		12d c o d e \$	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local income tax	20 Locality name	

Form **W-2**

Copy A For Social Security Administration

Wage and Tax Statement

2001

Cat. No. 10134D

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

The W-2 above is incorrect because the preparer combined the contributions to the distributions from Nicole's nonqualified deferred compensation plan as one money amount in Box 11. When contributions to (deferrals) and distributions from (payments) a NQDCP occur in the same reporting period, no entry should be made in Box 11. The W-2 above is also incorrect because in Box 1, the preparer added the special wage payment to wages, which totals \$39,000. However, the correct calculation for Box 1 follows:

Special Wage Payment	\$9,000
Plus Wages	\$30,000
Minus Deferral	\$600
Total Reported in box 1	\$38,400

THIRD-PARTY SICK PAY REPORTING

A. Jose Schaeffer is an employee subject to full-FICA. He was actively employed as a bus driver until May 2001 when he was injured in an automobile accident. From June 1 until the end of the tax year, Mr. Schaeffer received sick pay from the ACME insurance Company (EIN 98-7654321). ACME did not pay the employer's portion of FICA nor assume responsibility for reporting sick pay wages on behalf of the employer. Therefore, Cabot Cove is responsible for issuing the Form W-2 to Mr. Schaeffer. Cabot Cove received the following annual benefit notification from AMCE on January 9, 2002:

ACME Insurance Company
Statement of Benefit Payments for Jose Schaeffer (456-78-9012)
Tax Year 2001

Portion of benefit plan funded by employer	60 percent
Benefit payments received (first six months)	\$ 16,000.00
Remaining payments received for tax year 2001	\$ 2,666.67

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-5678910				1 Wages, tips, other compensation \$ 27383.00		2 Federal income tax withheld \$ 5476.60	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 25783.00		4 Social security tax withheld \$ 1598.55	
				5 Medicare wages and tips \$ 25783.00		6 Medicare tax withheld \$ 373.85	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 465-78-9012				11 Nonqualified plans \$		12a See instructions for box 12 code J \$ 7466.67	
e Employee's first name and initial JOSE		Last name SCHAEFFER		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b code \$	
901 AIRY WAY BALTIMORE, MD 21201				14 Other SK PAY - Acme Ins. Co.		12c code \$	
						12d code \$	
						12e code \$	
f Employee's address and Zip code				15 State Employer's state ID number		16 State wages, tips, etc.	
						17 State income tax	
						18 Local Wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

The following W-2 for Jose Schaeffer is incorrect. Please review these common errors and the discussion of these errors below the W-2

a Control number 22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-5678910		1 Wages, tips, other compensation \$ 34849.67		2 Federal income tax withheld \$ 6969.93	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201		3 Social security wages \$ 34849.67		4 Social security tax withheld \$ 2160.68	
		5 Medicare wages and tips \$ 34849.67		6 Medicare tax withheld \$ 505.32	
		7 Social Security tips \$		8 Allocated tips \$	
		9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 465-78-9012		11 Nonqualified plans		12a See instructions for box 12 code \$	
e Employee's first name and initial JOSE		Last name SCHAEFFER		12b code \$	
901 AIRY WAY BALTIMORE, MD 21201		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12c code \$	
		14 Other		12d code \$	
				12e code \$	
f Employee's address and Zip code					
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local income tax
		\$			20 Locality name

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

The W-2 above is incorrect because the employer failed to recognize that (1) only sick payments received in the first six months are FICA taxable and (2) only the sick payments that relate to the percentage of the premium cost borne by Cabot Cove Schools are FICA taxable. This in turn, resulted in a failure to disclose in Box 12, the non-taxable portion of the sick payments (representing the 40 percent employee contribution to the sick pay plan). The correct Social Security and Medicare tax calculations (and the respective amounts for each wage type) are shown below.

Social Security/Medicare wages

(Wages paid [\$16,183]) + (60% of Sick Payments received in first 6 months [.6 x \$16,000]) = \$25,783

Social Security tax withheld

(Social Security Wages [box 3, \$25,783]) x 6.2% = \$1,598.55

Medicare tax withheld

(Medicare Wages [box 5, \$25,783]) x 1.45% = \$373.85

wages, tips and Other Compensation

(Wages paid [\$16,183]) + (60% of Sick Payments received [.6 x \$18,666.67]) = \$27,383

Box 12 (Code J)

40% x Sick Payments received (\$18,666.67) = \$7,466.67

DO NOT STAPLE OR FOLD

a Control number		For Official Use Only OMB No. 1545-0008	
b Kind of Payer	941 <input checked="" type="checkbox"/> CT-1	Military <input type="checkbox"/> Hshld emp <input type="checkbox"/>	943 <input type="checkbox"/> Medicare govt. emp. <input type="checkbox"/> third-party sick pay <input type="checkbox"/>
c Total number of forms W-2	1		
d Establishment number			
e Employer identification number	55-5678910		
f Employer's name	CABOT COVE SCHOOL		
	123 EDUCATION WAY BALTIMORE, MD 21201		
g Employer's address and ZIP code			
h Other EIN used this year			
15 State		16 State wages, tips, etc.	\$
		17 State income tax	\$
		18 Local wages, tips, etc.	\$
		19 Local income tax	\$
Contact person	Telephone number ()	For Official Use Only	
E-mail address	Fax number ()		

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature

Title

Date

Form

W-3

2001

Department of the Treasury
Internal Revenue Service

Because Acme is required to report payments for disability or sickness made to employees on IRS Form 941 (Employer's Quarterly Federal Tax Return), to ensure that both IRS and SSA records are in balance, Acme must send SSA a "RECAP" W-2 showing the amount of sick pay given to Mr. Schaeffer. Should Acme neglect to prepare a "RECAP" W-2, their 941's will not agree with their W-2s. Failure to file a RECAP W-2 is a contributing factor to the SSA/IRS reconciliation process, which creates a tremendous workload for employers and the Federal Government. PLEASE NOTE: "RECAP" W-2s and their accompanying Form W-3 must not be filed on magnetic media-use only paper forms. Acme's "RECAP" W-2 should look like the following example:

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 98-7654321				1 Wages, tips, other compensation \$ 18666.67		2 Federal income tax withheld \$ 2240.00	
c Employer's name, address, and ZIP code ACME INSURANCE COMPANY ROAD RUNNER AVE. COYOTE, MD 21162				3 Social security wages \$ 9600.00		4 Social security tax withheld \$ 595.20	
				5 Medicare wages and tips \$ 9600.00		6 Medicare tax withheld \$ 139.20	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number				11 Nonqualified plans		12a See instructions for box 12 c o d e \$	
e Employee's first name and initial Last name "THIRD PARTY SICK PAY RECAP"				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e \$	
				14 Other		12c c o d e \$	
						12d c o d e \$	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	
		\$					
		\$					

Following is the separate "RECAP" W-3 form necessary for filing with the "RECAP" W-2. Note that only boxes b, e, f, g, 1, 2, 3, 4, 5, 6 and 13 are completed.

a Control number		33333	For Official Use Only OMB No. 1545-0008	
b Kind of Payer	941	Military	943	1 Wages, tips, other compensation
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$ 18666.70
	CT-1	Hshld emp	Medicare govt. emp.	2 Federal income tax withheld
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$ 2240.00
			third-party sick pay	3 Social security wages
				\$ 9600.00
c Total number of forms W-2	d Establishment number		5 Medicare wages and tips	4 Social security tax withheld
			\$ 9600.00	\$ 595.20
e Employer identification number			7 Social security tips	6 Medicare tax withheld
			\$	\$ 139.20
f Employer's name			9 Advance EIC payments	8 Allocated tips
ACME INSURANCE COMPANY			\$	\$
ROAD RUNNER AVENUE COYOTE, MD 21162			11 Nonqualified plans	10 Dependent care benefits
			\$	\$
			13 For third-party sick pay use only	
			THIRD PARTY SICK PAY RECAP	
g employer's address and ZIP code			14 Income tax withheld by third-party sick pay payer	12 Deferred compensation
h Other EIN used this year			\$	\$
15 State	Employer's state ID number		16 State wages, tips, etc.	17 State income tax
			\$	\$
			18 Local wages, tips, etc.	19 Local income tax
			\$	\$
Contact person			Telephone number	For Official Use Only
E-mail address			()	
			Fax number	
			()	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief they are true, correct, and complete

Signature

Title

Date

Form

W-3 Transmittal of Wage and Tax Statements

2001

Department of the Treasury
Internal Revenue Service

Lois Germaine Sheppard is an employee subject to full-FICA. She was actively employed as a school crossing guard until November 30, 2001 when she slipped on some ice and broke her leg. From December 1 until the end of the tax year she received sick pay from the ACME Insurance Company. Cabot Cove paid 100 percent of the premiums on the policy for Ms. Sheppard. ACME paid Ms. Sheppard \$2,000 in sick pay and assumed responsibility for paying Cabot Cove's share of FICA taxes and reporting the sick pay wages.

Correct W-2 Form from Cabot Cove Schools

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-5678910				1 Wages, tips, other compensation \$ 25172.00		2 Federal income tax withheld \$ 5034.40	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 25172.00		4 Social security tax withheld \$ 1560.66	
				5 Medicare wages and tips \$ 25172.00		6 Medicare tax withheld \$ 364.99	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 678-90-1234				11 Nonqualified plans		12a See instructions for box 12	
e Employee's first name and initial LOIS G		Last name SHEPPARD		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b	
945 BOWSER ST. BALTIMORE, MD 21201		12c					
		12d					
		12e					
f Employee's address and Zip code				14 Other		12f	
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service

Ms. Sheppard's W-2 from Acme Insurance Company should look like the following:

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 98-7654321				1 Wages, tips, other compensation \$ 2000.00		2 Federal income tax withheld \$ 400.00	
c Employer's name, address, and ZIP code ACME INSURANCE COMPANY ROAD RUNNER AVE. COYOTE, MD 21162				3 Social security wages \$ 2000.00		4 Social security tax withheld \$ 124.00	
				5 Medicare wages and tips \$ 2000.00		6 Medicare tax withheld \$ 29.00	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 678-90-1234				11 Nonqualified plans		12a See instructions for box 12	
e Employee's first name and initial LOIS G		Last name SHEPPARD		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b	
945 BOWSER ST. BALTIMORE, MD 21201		12c					
		12d					
		12e					
f Employee's address and Zip code				14 Other		12f	
				Sick Pay furnished under an Agency Agreement with your employer			
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service

The following Form W-2 illustrates a common mistake made by third-party insurers. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-5678910				1 Wages, tips, other compensation \$ 2000.00		2 Federal income tax withheld \$ 400.00	
c Employer's name, address, and ZIP code ACME INSURANCE COMPANY ROAD RUNNER AVE. COYOTE, MD 21162				3 Social security wages \$ 2000.00		4 Social security tax withheld \$ 124.00	
				5 Medicare wages and tips \$ 2000.00		6 Medicare tax withheld \$ 29.00	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 678-90-1234				11 Nonqualified plans		12a See instructions for box 12 c u u e	
e Employee's first name and initial LOIS G		Last name SHEPPARD		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c u u e	
945 BOWSER ST. BALTIMORE, MD 21201				14 Other Sick Pay furnished under an Agency agreement with your employer		12c c u u e	
						12d c u u e	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	
		\$					

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
 Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act notice, see separate instructions

The W-2 above is incorrect because the third-party payer used the employer's EIN instead of their own when reporting. This will cause the Form 941 for both the third-party and the employer to be out of balance with their respective W-2/W-3 submissions.

REPORTING AN EMPLOYEE TYPE OF EMPLOYMENT CHANGE

John R. McNamara's work became covered for full-FICA effectively July 1, 2001 instead of Medicare-only coverage earlier in the year. The following Forms W-2 and W-3 illustrate split reporting for Mr. McNamara by Cabot Cove.

Form W-2 for MQGE wages from January 1, 2001 to June 30, 2001

a Control number 22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 55-5678910		1 Wages, tips, other compensation \$ 30250.00		2 Federal income tax withheld \$ 6050.00		
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201		3 Social security wages \$		4 Social security tax withheld \$		
		5 Medicare wages and tips \$ 30250.00		6 Medicare tax withheld \$ 438.62		
		7 Social Security tips \$		8 Allocated tips \$		
		9 Advance EIC payment \$		10 Dependent care benefits \$		
d Employee's social security number 023-45-6789		11 Nonqualified plans \$		12a See instructions for box 12 code \$		
e Employee's first name and initial JOHN R		Last name McNAMARA		12b code \$		
800 CLARK RD. SEVERN, MD 21144		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12c code \$		
		14 Other		12d code \$		
				12e code \$		
				12f code \$		
f Employee's address and Zip code						
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local income tax	20 Locality name

Wage and Tax
Statement

2001

Department of the Treasury-Internal Revenue Service

Form

W-2

Form W-3 for MQGE Wages

a Control number 33333		For Official Use Only OMB No. 1545-0008			
b Kind of payer 941 Military <input type="checkbox"/> CT-1 Hshld emp <input type="checkbox"/> 943 Medicare govt. emp <input checked="" type="checkbox"/> third-party sick pay <input type="checkbox"/>		1 Wages, tips, other compensation \$ 30250.00		2 Federal income tax withheld \$ 6050.00	
c Total number of forms W-2 1		d Establishment number		3 Social security wages \$	
				4 Social security tax withheld \$	
				5 Medicare wages and tips \$ 30250.00	
				6 Medicare tax withheld \$ 438.62	
e Employer identification number 55-5678910		7 Social security tips \$		8 Allocated tips \$	
f Employer's name CABOT COVE SCHOOLS		9 Advance EIC payments \$		10 Dependent care benefits \$	
123 EDUCATION WAY BALTIMORE, MD 21201		11 Nonqualified plans \$		12 Deferred compensation \$	
		13 For third-party sick pay use only			
		14 Income tax withheld by third-party sick pay paye \$			
g employer's address and ZIP code					
h Other EIN used this year					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax		
		18 Local wages, tips, etc.	19 Local income tax		
Contact person		Telephone number ()	For Official Use Only		
E-mail address		Fax number ()			

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief they are true, correct, and complete

Signature

Title

Date

Form

W-3

Transmittal of Wage and Tax Statements

Department of the Treasury
Internal Revenue Service

Wages paid July 1, 2001 to December 31, 2001 subject to full FICA tax.

Form W-2 for wages subject to full FICA (from July 1, 2001 to December 31, 2001)

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer identification number 55-5678910				1 Wages, tips, other compensation \$ 30250.00		2 Federal income tax withheld \$ 6050.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 30250.00		4 Social security tax withheld \$ 1875.50	
				5 Medicare wages and tips \$ 30250.00		6 Medicare tax withheld \$ 438.62	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 023-45-6789				11 Nonqualified plans \$		12a See instructions for box 12 code \$	
e Employee's first name and initial Last name JOHN R McNAMARA 800 CLARK RD. SEVERN, MD 21144				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b code \$	
				14 Other		12c code \$	
						12d code \$	
						code \$	
f Employee's address and Zip code							
15 State	Employer's state ID number		16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

Form W-3 for Wages subject to full FICA

a Control number		33333		For Official Use Only OMB No. 1545-0008	
b Kind or payer		941 Military <input checked="" type="checkbox"/> 943 <input type="checkbox"/> C-1-1 HSNIA emp medicare govt. emp third-party sick pay		1 Wages, tips, other compensation \$ 30250.00	
				2 Federal income tax withheld \$ 6050.00	
				3 Social security wages \$ 30250.00	
				4 Social security tax withheld \$ 1875.50	
c Total number of forms W-2 1		d Establishment number		5 Medicare wages and tips \$ 30250.00	
				6 Medicare tax withheld \$ 438.62	
e Employer identification number 55-5678910				7 Social security tips \$	
				8 Allocated tips \$	
f Employer's name CABOT COVE SCHOOLS				9 Advance EIC payments	
				10 Dependent care benefits	
g Employer's address and ZIP code 123 EDUCATION WAY BALTIMORE, MD 21201				11 Nonqualified plans \$	
				12 Deferred compensation \$	
h Other EIN used this year				13 For third-party sick pay use only	
				14 Income tax withheld by third-party sick pay payee \$	
15 State		Employer's state ID number		16 State wages, tips, etc.	
				17 State income tax	
				18 Local wages, tips, etc.	
				19 Local income tax	
Contact person		Telephone number ()		For Official Use Only	
E-mail address		Fax number ()			

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature Title Date
Form **W-3** Transmittal of Wage and Tax Statements **2001** Department of the Treasury
Internal Revenue Service

The following forms W-2 and W-3 illustrate optional combined reporting for John R. McNamara.

Form W-2

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer identification number 55-5678910				1 Wages, tips, other compensation \$ 60500.00		2 Federal income tax withheld \$ 12100.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages \$ 30250.00		4 Social security tax withheld \$ 1875.50	
				5 Medicare wages and tips \$ 60500.00		6 Medicare tax withheld \$ 877.24	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 023-45-6789		e Employee's first name and initial JOHN R		Last name McNAMARA		11 Nonqualified plans \$	
f Employee's address and Zip code 800 CLARK RD. SEVERN, MD 21144				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 c o d e \$	
				14 Other		12b c o d e \$	
						12c c o d e \$	
						12d c o d e \$	
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax \$	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Wage and Tax
Statement

2001

Department of the Treasury-Internal Revenue Service

Form **W-2**

For Privacy Act and Paperwork Reduction
Act Notice, see separate instructions

Form W-3 for Combined Reporting

a Control number		33333		For Official Use Only OMB No. 1545-0008	
b Kind of payer 941 <input checked="" type="checkbox"/> Military C-1-1 <input type="checkbox"/> HSNIA emp 943 <input type="checkbox"/> Medicare gov't emp third-party sick pay <input type="checkbox"/>		1 Wages, tips, other compensation \$ 60500.00		2 Federal income tax withheld \$ 12100.00	
c Total number of forms W-2 1		d Establishment number		3 Social security wages \$ 30250.00	
e Employer identification number 55-5678910				4 Social security tax withheld \$ 1875.50	
f Employer's name CABOT COVE SCHOOLS				5 Medicare wages and tips \$ 60500.00	
				6 Medicare tax withheld \$ 877.24	
				7 Social security tips \$	
				8 Allocated tips \$	
g Employer's address and ZIP code 123 EDUCATION WAY BALTIMORE, MD 21201				9 Advance EIC payments	
h Other EIN used this year				10 Dependent care benefits \$	
				11 Nonqualified plans \$	
				12 Deferred compensation \$	
				13 For third-party sick pay use only	
				14 Income tax withheld by third-party sick pay payee \$	
15 State		Employer's state ID number		16 State wages, tips, etc.	
				17 State income tax	
				18 Local wages, tips, etc.	
				19 Local income tax	
Contact person		Telephone number ()		For Official Use Only	
E-mail address		Fax number ()			

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature

Title

Date

Form **W-3**

Transmittal of Wage and Tax Statements

2001

Department of the Treasury
Internal Revenue Service

EXHIBITS: PAYROLL REGISTER DATA TABLES

The following exhibits are data tables of information from Cabot Cove's payroll register. This information provides the base data for the case scenario. The Cabot Cove School District employs individuals who earn:

- Wages and tips subject to the 6.2 percent Social Security tax and 1.45 percent Medicare tax (full-FICA employees);
- Wages subject to only the 1.45 percent Medicare tax (MQGE employees); and
- Wages exempt from the 6.2 percent Social Security tax and 1.45 percent Medicare tax (FICA-exempt employees).

Cabot Cove's EIN is 55-5678910. The information in Exhibit 1 below contains summary employee information from Cabot Cove's payroll register. In addition, Exhibit 2 (pages 89 through 92) illustrates wage and tax data for Cabot Cove on a quarterly basis and Exhibit 3 (page 93) summarizes Cabot Cove's payroll on an annual basis.

Exhibit 1 **Summary Employee Information** **Cabot Cove School District**

<u>Name (first, middle, last)</u>	<u>Name as shown on Social Security Card and Cabot Cove Payroll Register</u>	<u>SSN</u>	<u>Employment Type</u>
Elizabeth Lee Strosnider	Elizabeth L. Strosnider	699-01-0101	FICA
Diego Garcia-y-Vega	Diego Garcia y Vega	234-56-7890	FICA
Alfredo Giuseppe Richardo Marano	Alfredo G. R. Marano	345-67-8901	MQGE
Tae-Jin Kim	Tae-Jin Kim	567-89-0123	FICA
Jose Schaeffer	Jose Schaeffer	456-78-9012	FICA
Lois Germaine Sheppard	Lois G. Sheppard	678-90-1234	FICA
John R. McNamara ¹	John R. McNamara	023-45-6789	MQGE/FICA
Mary V. Smith	Mary V. Smith	701-23-4567	FICA-Exempt
Thomas J. Mason ²	Thomas J. Mason	666-78-9012	FICA
Samuel L. Johnson ³	Samuel L. Johnson	543-21-0987	FICA/Retired
Nicole Craig	Nicole Craig	719-54-3210	FICA/Retired

1. From January 1 through June 30, 2001, John R. McNamara earned MQGE wages subject to only Medicare tax. Effective July 1, 2001, Mr. McNamara was subject to full-FICA coverage.
2. Thomas J. Mason is 45 years old. He elected to be covered by GTLI. His insurance coverage is \$150,000.
3. Samuel Johnson is a retired employee who elected to be covered by GTLI after retirement. His insurance coverage is \$125,000.

EXHIBIT 2-1

FIRST QUARTER EMPLOYEE PAYROLL DATA
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Elizabeth L. Strosnider 699-01-0101	FICA Active	11,307.25					11,307.25	2,261.45	11,307.25	701.05	11,307.25	163.96
Diego Garcia y Vega 234-56-7890	FICA Active	7,878.75	1,008.75				8,887.50	1,777.50	8,887.50	551.03	8,887.50	128.87
Alfredo G.R. Marano 345-67-8901	MQGA Active	13,500.00					13,500.00	2,700.00			13,500.00	195.75
Tae-Jin Kim 567-89-0123	FICA Active	34,000.00					34,000.00	6,800.00	34,000.00	2,108.00	34,000.00	493.00
Jose Schaeffer 456-78-9012	FICA Active	9,709.80					9,709.80	1,941.96	9,709.80	602.01	9,709.80	140.79
Lois G. Sheppard 678-90-1234	FICA Active	6,865.08					6,865.08	1,373.02	6,865.08	425.63	6,865.08	99.54
John R. McNamara 023-45-6789	MQGA Active	15,125.00					15,125.00	3,025.00			15,125.00	219.31
Mary V. Smith 701-23-4567	FICA-Exempt Active	14,000.00					14,000.00	2,800.00				
Thomas J. Mason 666-78-9012	FICA Active	12,500.00					12,500.00	2,500.00	12,500.00	775.00	12,500.00	181.25
Samuel L. Johnson 543-21-0987	FICA Retired											
Nicole Craig 719-54-3210	FICA Active	15,000.00		300.00			14,700.00	2,940.00	15,000.00	930.00	15,000.00	217.50
Total	MQGA	28,625.00	0.00	0.00	0.00	0.00	28,625.00	5,725.00	0.00	0.00	28,625.00	415.06
	FICA-Exempt	14,000.00	0.00	0.00	0.00	0.00	14,000.00	2,800.00	0.00	0.00	0.00	0.00
	FICA	97,260.88	1,008.75	300.00	0.00	0.00	97,969.63	19,593.93	98,269.63	6,092.72	98,269.63	1,424.91
First Quarter Total		139,885.88	1,008.75	300.00	0.00	0.00	140,594.63	28,118.93	98,269.63	6,092.72	126,894.63	1,839.97

EXHIBIT 2-2

SECOND QUARTER EMPLOYEE PAYROLL DATA
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Elizabeth L. Strosnider 699-01-0101	FICA Active	11,307.25					11,307.25	2,261.45	11,307.25	701.05	11,307.25	163.96
Diego Garcia y Vega 234-56-7890	FICA Active	7,878.75	1,008.75				8,887.50	1,777.50	8,887.50	551.03	8,887.50	128.87
Alfredo G.R. Marano 345-67-8901	MQGA Active	13,500.00					13,500.00	2,700.00			13,500.00	195.75
Tae-Jin Kim 567-89-0123	FICA Active	34,000.00					34,000.00	6,800.00	34,000.00	2,108.00	34,000.00	493.00
Jose Schaeffer 456-78-9012	FICA Active	6,473.20		2,666.67 SK PAY	1,600.00 *	1,600.00 *	8,073.20	1,614.64	8,073.20	500.54	8,073.20	117.06
Lois G. Sheppard 678-90-1234	FICA Active	6,865.08					6,865.08	1,373.02	6,865.08	425.63	6,865.08	99.54
John R. McNamara 023-45-6789	MQGA Active	15,125.00					15,125.00	3,025.00			15,125.00	219.31
Mary V. Smith 701-23-4567	FICA-Exempt Active	14,000.00					14,000.00	2,800.00				
Thomas J. Mason 666-78-9012	FICA Active	12,500.00					12,500.00	2,500.00	12,500.00	775.00	12,500.00	181.25
Samuel L. Johnson 543-21-0987	FICA Retired											
Nicole Craig 719-54-3210	FICA Active	15,000.00		300.00		50,600.00	14,700.00	2,940.00	65,400.00	4054.80	65,600.00	951.20
Total	MQGA	28,625.00	0.00	0.00	0.00	0.00	28,625.00	5,725.00	0.00	0.00	28,625.00	415.06
	FICA-Exempt	14,000.00	0.00	0.00	0.00	0.00	14,000.00	2,800.00	0.00	0.00	0.00	0.00
	FICA	94,024.28	1,008.75	2966.67	1600.00	52200.00	96,333.03	19,266.61	147,033.03	9,116.05	147,233.03	2,134.88
First Quarter Total		136,649.28	1,008.75	2966.67	1600.00	52200.00	138,958.03	27,791.61	147,033.03	9,116.05	175,858.03	2,549.94

* Employer's contribution rate to the sick pay plan for Jose Schaeffer is 60 percent. Cabot Cove assumed responsibility for reporting the sick pay wages.
Benefit payments Mr. Schaeffer received for the second quarter is \$2,666.67
Taxable portion of the sick payment: \$2,666.67 X .6+\$1,600.00
Cabot Cove adjusted on line 9 of their 941 Form \$122.40 of employee taxes not withheld on sick pay (\$1,600.00 X .0765 = \$122.40)

EXHIBIT 2-3

THIRD QUARTER EMPLOYEE PAYROLL DATA
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Elizabeth L. Strosnider 699-01-0101	FICA Active	11,307.25					11,307.25	2,261.45	11,307.25	701.05	11,307.25	163.96
Diego Garcia y Vega 234-56-7890	FICA Active	7,878.75	1,008.75				8,887.50	1,777.50	8,887.50	551.03	8,887.50	128.87
Alfredo G.R. Marano 345-67-8901	MQGA Active	13,500.00					13,500.00	2,700.00			13,500.00	195.75
Tae-Jin Kim 567-89-0123	FICA Active	34,000.00					34,000.00	6,800.00	12,400.00	768.80	34,000.00	493.00
Jose Schaeffer 456-78-9012	FICA Active - SK			8,000.00 SK PAY	4,800.00 *	4,800.00 *	4,800.00	960.00	4,800.00	297.6	4,800.00	69.6
Lois G. Sheppard 678-90-1234	FICA Active	6,865.08					6,865.08	1,373.02	6,865.08	425.63	6,865.08	99.54
John R. McNamara 023-45-6789	FICA Active	15,125.00					15,125.00	3,025.00	15,125.00	937.75	15,125.00	219.31
Mary V. Smith 701-23-4567	FICA-Exempt Active	14,000.00					14,000.00	2,800.00				
Thomas J. Mason 666-78-9012	FICA Active	12,500.00					12,500.00	2,500.00	12,500.00	775.00	12,500.00	181.25
Samuel L. Johnson 543-21-0987	FICA Retired											
Nicole Craig 719-54-3210	FICA Retired				4,500.00		4,500.00	900.00				
Total	MQGA	13,500.00	0.00	0.00	0.00	0.00	13,500.00	2,700.00	0.00	0.00	13,500.00	195.75
	FICA-Exempt	14,000.00	0.00	0.00	0.00	0.00	14,000.00	2,800.00	0.00	0.00	0.00	0.00
	FICA	87,676.08	1,008.75	8,000.00	9300.00	4,800.00	97,984.83	19,596.97	71,884.83	4,456.86	93,484.83	1,355.53
First Quarter Total		115,176.08	1,008.75	8000.00	9300.00	4800.00	125,484.83	25,096.97	71,884.83	4,456.86	106,984.83	1,551.28

* Employer's contribution rate to the sick pay plan for Jose Schaeffer is 60 percent. Cabot Cove assumed responsibility for reporting the sick pay wages.
Benefit payments Mr. Schaeffer received for the second quarter is \$8,000.00
Taxable portion of the sick payment: \$8,000.00 X .6 = \$4,800.00
Cabot Cove adjusted on line 9 of their 941 Form \$367.20 of employee taxes not withheld on sick pay (\$4,800.00 X .0765 = \$367.20)

EXHIBIT 2-4

FOURTH QUARTER EMPLOYEE PAYROLL DATA
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Elizabeth L. Strosnider 699-01-0101	FICA Active	11,307.25					11,307.25	2,261.45	11,307.25	701.05	11,307.25	163.96
Diego Garcia y Vega 234-56-7890	FICA Active	7,878.75	1,008.75				8,887.50	1,777.50	8,887.50	551.03	8,887.50	128.87
Alfredo G.R. Marano 345-67-8901	MQGA Active	13,500.00					13,500.00	2,700.00			13,500.00	195.75
Tae-Jin Kim 567-89-0123	FICA Active	34,000.00					34,000.00	6,800.00			34,000.00	493.00
Jose Schaeffer 456-78-9012	FICA Active - SK			8,000.00 SK PAY - P1	4,800.00 *	3,200.00 **	4,800.00	960.00	3,200.00	198.40	3,200.00	46.40
Lois G. Sheppard 678-90-1234	FICA Active - SK	4,576.76		2,000.00 SK PAY - P2			4,576.76	915.35	4,576.76	283.76	4,576.76	66.36
John R. McNamara 023-45-6789	FICA Active	15,125.00					15,125.00	3,025.00	15,125.00	937.75	15,125.00	219.31
Mary V. Smith 701-23-4567	FICA-Exempt Active	14,000.00					14,000.00	2,800.00				
Thomas J. Mason 666-78-9012	FICA Active	12,500.00		150.00 LIFE INS	150.00	150.00	12,650.00	2,500.00	12,650.00	784.30	12,650.00	183.43
Samuel L. Johnson 543-21-0987	FICA Retired			675.00 LIFE INS	675.00	675.00	675.00		675.00		675.00	
Nicole Craig 719-54-3210	FICA Retired				4,500.00		4,500.00	900.00				
Total	MQGA	13,500.00	0.00	0.00	0.00	0.00	13,500.00	2,700.00	0.00	0.00	13,500.00	195.75
	FICA-Exempt	14,000.00	0.00	0.00	0.00	0.00	14,000.00	2,800.00	0.00	0.00	0.00	0.00
	FICA	85,387.76	1,008.75	10,825.00	10125.00	4025.00	96,521.51	19,139.30	56,421.51	3,456.29	90,421.51	1,301.33
Fourth Quarter Total		112,887.76	1,008.75	10,825.00	10125.00	4025.00	124,021.51	24,639.30	56,421.51	3,456.29	103,921.51	1,497.08

SICK PAY - P1: Employer's contribution rate to the sick pay plan for Jose Schaeffer is 60 percent. Cabot Cove is responsible for reporting sick pay wages and the employer's portion of FICA.

Benefit payments Mr. Schaeffer received for the Fourth Quarter is \$8,000.00

*Taxable portion of the sick payment: \$8,000.00 X .6 = \$4,800.00

**FICA taxable portion of the sick payment: (\$8,000.00 - (last month sick payment (\$2,666.67)) X .6 = \$3,200.00

Cabot Cove adjusted on line 9 of their 941 Form \$244.80 of employee taxes not withheld on sick pay (\$3,200.00 X .0765 = \$244.80)

SICK PAY - P2: Employer paid 100 percent of the premiums on the policy for Mr. Schaeffer. ACME assumed responsibility for paying Cabot Cove's FICA taxes and reporting the sick pay wages:

NOTE: Group-term life insurance is subject to FICA tax withholding only

EXHIBIT 3

PAYROLL REGISTER ANNUAL SUMMARY
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Elizabeth L. Strosnider 699-01-0101	FICA Active	45,229.00	0.00	0.00	0.00	0.00	45,229.00	9,045.80	45,229.00	\$ 2,804.20	45,229.00	655.82
Diego Garcia y Vega 234-56-7890	FICA Active	31,515.00	4,035.00	0.00	0.00	0.00	35,550.00	7,110.00	35,550.00	\$ 2,204.10	35,550.00	515.48
Alfredo G.R. Marano 345-67-8901	MQGA Active	54,000.00	0.00	0.00	0.00	0.00	54,000.00	10,800.00	0.00	\$ -	54,000.00	783.00
Tae-Jin Kim 567-89-0123	FICA Active	136,000.00	0.00	0.00	0.00	0.00	136,000.00	27,200.00	80,400.00	\$ 4,984.80	136,000.00	1972.00
Jose Schaeffer 456-78-9012	FICA Active - SK	16,183.00	0.00	18,666.67	11,200.00	9,600.00	27,383.00	5,476.60	25,783.00	\$ 1,598.55	25,783.00	373.85
Lois G. Sheppard 678-90-1234	FICA Active - WC	25,172.00	0.00	2,000.00	0.00	0.00	25,172.00	5,034.40	25,172.00	\$ 1,560.66	25,172.00	364.99
John R. McNamara 023-45-6789	MQGE/FICA Active	60,500.00	0.00	0.00	0.00	0.00	60,500.00	12,100.00	30,250.00	\$ 1,875.50	60,500.00	877.25
Mary V. Smith 701-23-4567	FICA-Exempt Active	56,000.00	0.00	0.00	0.00	0.00	56,000.00	11,200.00	0.00	\$ -	0.00	0.00
Thomas J. Mason 666-78-9012	FICA Active	50,000.00	0.00	150.00	150.00	150.00	50,150.00	10,000.00	50,150.00	\$ 3,109.30	50,150.00	727.18
Samuel L. Johnson 543-21-0987	FICA Retired	0.00	0.00	675.00	675.00	675.00	675.00	0.00	675.00	\$ -	675.00	0.00
Nicole Craig 719-54-3210	FICA Retired	30,000.00	0.00	600.00	9,000.00	50,600.00	38,400.00	7,680.00	80,400.00	\$ 4,984.80	80,600.00	1168.70
Total	MQGA	54,000.00	0.00	0.00	0.00	0.00	54,000.00	10,800.00	0.00	\$ -	54,000.00	783.00
	MQGE/FICA	60,500.00	0.00	0.00	0.00	0.00	60,500.00	12,100.00	30250.00	\$ 1,875.50	60,500.00	877.25
	FICA-Exempt	56,000.00	0.00	0.00	0.00	0.00	56,000.00	11,200.00	0.00	\$ -	0.00	0.00
	FICA	334,099.00	4,035.00	22,091.67	21025.00	61025.00	358,559.00	71,546.80	343,359.00	\$ 21,246.41	399,159.00	5,778.02
		450,599.00	4,035.00	22,091.67	21025.00	61025.00	475,059.00	94,846.80	373,609.00	\$ 23,121.91	459,659.00	6,655.27
Annual Grand Total		504,599.00	4,035.00	22,091.67	21025.00	61025.00	529,059.00	105,646.80	373,609.00	\$ 23,121.91	513,659.00	7,438.27

Cabot Cove adjusted on line 9 of their 941 Form \$734.40 of employee taxes not withheld on sick pay (\$9600.00 X .0765 =734.40).

“AGENT” REPORTING

Introduction

This section illustrates general guidelines for filing paper Forms W-2, W-3, and 941 by "agents." An entity may receive approval to be designated an "agent" by filing IRS Form 2678, Employer Appointment of "Agent" with the IRS. An "Agent" may file certain tax forms (e.g., Forms 941 and Forms W-2/W-3) using the "agent's" EIN in lieu of multiple filings under separate employer EINs. SSA and IRS prescribed reporting procedures for filing Forms 941 and W-2/W-3 by "agents." Please refer to IRS Revenue Procedure 70-6, 1970-1, C.B. 420 for complete filing instructions for "agents."

Forms W-2

Generally, an "agent" that has an approved Form 2678 should enter its "Agent" name and address as the employer in box c of the Form W-2 (illustrated below) and file one W-2 for each employee.

[Name of "Agent"]
[Address of "Agent"]

However, if the "agent" (1) is acting as "agent" for two or more employers or is an employer and is acting as an "agent" for another employer and (2) pays Social Security wages which exceed the taxable Social Security wage base for the reporting year for an employee, then the "agent" must file separate Forms W-2 reflecting the wages paid by each employer to that employee. In these instances, when conditions (1) and (2) above exist, the "agent" should enter the following in box c of each W-2 for that employee:

[Name of "Agent"]
"Agent for" [Name of Employer]
[Address of "Agent"]

Note: Each Form W-2 should reflect the EIN of the "Agent" in box b.

Form W-3

The "agent" should submit all employer Forms W-2 (including the "Agent's" Forms W-2, if the "Agent" is also an employer) under one W-3 transmittal. Form W-3, box e must contain the "Agent's" EIN; box f must contain the "Agent's" name and box g must contain the "Agent's" address. If the Forms W-2 in the submittal pertain only to one employer (aside from any Forms W-2 filed by the "Agent", if the "Agent" is also an employer), enter that employer's EIN in box h; otherwise do not complete box h.

Forms 941

The name and EIN of the "Agent" (as registered with the IRS) should be reported on Forms 941. Each quarterly Form 941 should represent the combined wage and tax data for all employers (including the "Agent's" wage and tax data if the "Agent" is also an employer) for which the "Agent" is assuming a reporting responsibility.

Case Scenario

The following case scenario illustrates how the Maryland Education Group, "Agent" for Millbrooke and Cedarville Schools, reports the schools' wage and tax deposit data on the Forms 941, W-3, and W-2. In the examples that follow, Millbrooke employed 3 individuals, Cedarville employed 2 individuals, and the Maryland Education Group employed 2 individuals in TY 2001. Ms. Gina Jones worked for both Millbrooke and Cedarville in TY 2001.

The Forms 941 (annual mock-up), W-3, and W-2 which follow are correct examples because they meet the following criteria for "Agent" reporting.

Form 941 Annual Mock-Up versus Form W-3

- Only the "agent's" EIN (i.e., The Maryland Education Group's EIN 22-2345678) and address appear on both the Form 941 annual mock-up and Form W-3.
- The following data from the Form W-3 balance to the Form 941 annual mock-up:
 - a. Box 1, Wages, tips, and other compensation and Box 2, Federal income tax withheld;
 - b. Box 3, Social Security wages and Box 4, Social Security tax withheld; and
 - c. Box 5, Medicare wages and tips and Box 6, Medicare tax withheld.

Form W-3 versus Forms W-2

- The Maryland Education Group reported their employee's Forms W-2 together with Forms W-2 for Millbrooke and Cedarville employees under one Form W-3 submission.
- The Maryland Education Group left Form W-3, Box h (Other EIN used this year) blank because they were reporting as an "Agent" for more than one employer.
- The Form W-3, Boxes f and g properly contain only the Maryland Education Group's name and address respectively.
- Regarding the Forms W-2 for Millbrooke and Cedarville employees:
 - a. Box b contains The Maryland Education Group's EIN (i.e., 22-2345678);
 - b. Box c contains only the Maryland Education Group's address except in Gina Jones' case. Gina Jones' W-2 forms identify the Maryland Education Group on the first line followed by the words "Agent for" (Millbrooke and Cedarville) on the second line, and the Maryland Education Group's address on the next lines.

- c. Gina Jones is reported on two separate Forms W-2 in the same W-3 submission (i.e., on one Form W-2 for Millbrooke employment and on another Form W-2 for Cedarville employment). This is because she was paid by more than one employer and her total wages exceeded the Social Security wage base for 2001.
- The sum of the following boxes on the Forms W-2 balance to corresponding boxes on the Form W-3:
 - a. Box 1, Wages, tips, and other compensation and Box 2, Federal income tax withheld;
 - b. Box 3, Social Security wages and Box 4, Social Security tax withheld; and
 - c. Box 5, Medicare wages and tips and Box 6, Medicare tax withheld.

Note: For ease of illustration, the facsimile Form 941 which follows only portrays an "annual mock-up" and is intended to show that the Form 941 should contain the "agent's" name, EIN, and address when reporting on behalf of other employers in an "Agent" capacity. Forms 941 must be filed quarterly - not annually.

a Control number		For Official Use Only OMB No. 1545-0008	
b Kind of Payer 941 <input checked="" type="checkbox"/> CT-1 943 <input type="checkbox"/> Military Hshld emp <input type="checkbox"/> Medicare govt. emp. <input type="checkbox"/> third-party sick pay <input type="checkbox"/>		1 Wages, tips, other compensation \$ 255000.00	2 Federal income tax withheld \$ 51000.00
c Total number of forms W-2 7		3 Social security wages \$ 255000.00	4 Social security tax withheld \$ 15810.00
d Establishment number		5 Medicare wages and tips \$ 255000.00	6 Medicare tax withheld \$ 3697.50
e Employer identification number 22-2345678		7 Social security tips \$	8 Allocated tips \$
f Employer's name THE MARYLAND EDUCATION GROUP		9 Advance EIC payments \$	10 Dependent care benefits \$
g employer's address and ZIP code 456 AGENTS DRIVE OWINGS MILLS, MD 21217		11 Nonqualified plans \$	12 Deferred compensation \$
		13 For third-party sick pay use only	
		14 Income tax withheld by third-party sick pay payer \$	
h Other EIN used this year			
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax \$
		18 Local wages, tips, etc. \$	19 Local income tax \$
Contact person		Telephone number	For Official Use Only
E-mail address		Fax number	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature _____ Title _____ Date _____

Form

W-3

Transmittal of Wage and Tax Statements 2001

Department of the Treasury
Internal Revenue Service

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 22-2345678				1 Wages, tips, other compensation \$ 35000.00		2 Federal income tax withheld \$ 7000.00	
c Employer's name, address, and ZIP code THE MARYLAND EDUCATION GROUP Agent for MILLBROOKE SCHOOL 456 AGENTS DRIVE OWINGS MILLS, MD 21117				3 Social security wages \$ 35000.00		4 Social security tax withheld \$ 2170.00	
				5 Medicare wages and tips \$ 35000.00		6 Medicare tax withheld \$ 507.50	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
				11 Nonqualified plans -		12a See instructions for box 12 c o d e s	
d Employee's social security number 246-81-0121				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e s	
				14 Other		12c c o d e s	
						12d c o d e s	
e Employee's first name and initial Last name GINA JONES							
f Employee's address and Zip code 765 CATON ST. BALTIMORE, MD 21202							
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax \$		18 Local Wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 22-2345678				1 Wages, tips, other compensation \$ 65000.00		2 Federal income tax withheld \$ 13000.00	
c Employer's name, address, and ZIP code THE MARYLAND EDUCATION GROUP 456 AGENTS DRIVE OWINGS MILLS, MD 21117				3 Social security wages \$ 65000.00		4 Social security tax withheld \$ 4030.00	
				5 Medicare wages and tips \$ 65000.00		6 Medicare tax withheld \$ 942.50	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
				11 Nonqualified plans -		12a See instructions for box 12 c o d e s	
d Employee's social security number 277-18-1210				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e s	
				14 Other		12c c o d e s	
						12d c o d e s	
e Employee's first name and initial Last name JAMIE OLSEN							
f Employee's address and Zip code 966 RICHWAY DR. BALTIMORE, MD 21235							
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax \$		18 Local Wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 22-2345678			1 Wages, tips, other compensation \$ 27000.00		2 Federal income tax withheld \$ 5400.00		
c Employer's name, address, and ZIP code THE MARYLAND EDUCATION GROUP 456 AGENTS DRIVE OWINGS MILLS, MD 21117			3 Social security wages \$ 27000.00		4 Social security tax withheld \$ 1674.00		
			5 Medicare wages and tips \$ 27000.00		6 Medicare tax withheld \$ 391.50		
			7 Social Security tips \$		8 Allocated tips \$		
			9 Advance EIC payment \$		10 Dependent care benefits \$		
d Employee's social security number 218-36-5472		e Employee's first name and initial RICHARD		Last name BLINKO		11 Nonqualified plans -	
f Employee's address and Zip code 157 VETS ST. BALTIMORE, MD 21229		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 -		12b See instructions for box 12 -	
		14 Other		12c See instructions for box 12 -		12d See instructions for box 12 -	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax		18 Local Wages, tips, etc.	
		\$				19 Local income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service

Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 22-2345678			1 Wages, tips, other compensation \$ 52000.00		2 Federal income tax withheld \$ 10400.00		
c Employer's name, address, and ZIP code THE MARYLAND EDUCATION GROUP Agent for CEDARVILLE SCHOOL 456 AGENTS DRIVE OWINGS MILLS, MD 21117			3 Social security wages \$ 52000.00		4 Social security tax withheld \$ 3224.00		
			5 Medicare wages and tips \$ 52000.00		6 Medicare tax withheld \$ 754.00		
			7 Social Security tips \$		8 Allocated tips \$		
			9 Advance EIC payment \$		10 Dependent care benefits \$		
d Employee's social security number 246-81-0121		e Employee's first name and initial GINA		Last name JONES		11 Nonqualified plans -	
f Employee's address and Zip code 765 CATON ST. BALTIMORE, MD 21202		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 -		12b See instructions for box 12 -	
		14 Other		12c See instructions for box 12 -		12d See instructions for box 12 -	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax		18 Local Wages, tips, etc.	
		\$				19 Local income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service

Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 22-2345678			1 Wages, tips, other compensation \$ 24000.00		2 Federal income tax withheld \$ 4800.00		
c Employer's name, address, and ZIP code THE MARYLAND EDUCATION GROUP 456 AGENTS DRIVE OWINGS MILLS, MD 21117			3 Social security wages \$ 24000.00		4 Social security tax withheld \$ 1488.00		
			5 Medicare wages and tips \$ 24000.00		6 Medicare tax withheld \$ 348.00		
			7 Social Security tips \$		8 Allocated tips \$		
			9 Advance EIC payment \$		10 Dependent care benefits \$		
d Employee's social security number 654-78-9101		e Employee's first name and initial DEBORAH		Last name KING		11 Nonqualified plans -	
12 BROADWAY AVE/ BALTIMORE, MD 21229		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e s		12b c o d e s	
		14 Other		12c c o d e s		12d c o d e s	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local income tax	20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 22-2345678			1 Wages, tips, other compensation \$ 19000.00		2 Federal income tax withheld \$ 3800.00		
c Employer's name, address, and ZIP code THE MARYLAND EDUCATION GROUP 456 AGENTS DRIVE OWINGS MILLS, MD 21117			3 Social security wages \$ 19000.00		4 Social security tax withheld \$ 1178.00		
			5 Medicare wages and tips \$ 19000.00		6 Medicare tax withheld \$ 275.50		
			7 Social Security tips \$		8 Allocated tips \$		
			9 Advance EIC payment \$		10 Dependent care benefits \$		
d Employee's social security number 323-82-7224		e Employee's first name and initial BILL		Last name NEWSOME		11 Nonqualified plans -	
2105 MISSION WAY BALTIMORE, MD 21202		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e s		12b c o d e s	
		14 Other		12c c o d e s		12d c o d e s	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local income tax	20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 22-2345678				1 Wages, tips, other compensation \$ 33000.00		2 Federal income tax withheld \$ 6600.00	
c Employer's name, address, and ZIP code THE MARYLAND EDUCATION GROUP 456 AGENTS DRIVE OWINGS MILLS, MD 21117				3 Social security wages \$ 33000.00		4 Social security tax withheld \$ 2046.00	
				5 Medicare wages and tips \$ 33000.00		6 Medicare tax withheld \$ 478.50	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 356-39-5462				11 Nonqualified plans -		12a See instructions for box 12 c o d e \$	
e Employee's first name and initial KEVIN Last name SMITH 19 BANKIT CT. WOODLAWN, MD 21244				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e \$	
				14 Other		12c c o d e \$	
						12d c o d e \$	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local income tax	20 Locality name	

Special Reporting Situations

Introduction

This section provides examples of proper/improper paper reporting to help employers understand and comply with SSA/IRS guidelines. Included are examples of correctly prepared reports with reports containing errors that could have been prevented. This section illustrates general guidelines for private employers filing paper Forms W-2, W-3, and 941. Included are examples which reflect special reporting situations such as: 1) sick pay; 2) deferred compensation; 3) Advance Earned Income Credit; 4) tax shelter contributions to 401-(k) plans; 5) fringe benefits and 6) allocated tips. Specific filing instructions are available in the instructions for filing Forms W-2, W-3, and 941 as well as IRS Publication 15, Circular E, Employers Tax Guide and IRS Publication 15-A, Employer's Supplemental Tax Guide.

This section contains four quarterly (and one annual mock-up of) IRS Forms 941, one Form W-3, and eight Forms W-2 from the WireMasters Company. This information illustrates how:

- WireMasters reported its quarterly payroll and tax deposit data to IRS;
- The annual sum of WireMasters' quarterly Form 941 data should agree with its W-3 data for the same calendar year; and
- WireMasters' W-3 data agree with employees' W-2 data.

Case Scenario

The following case scenario illustrates how WireMasters Company, a private employer, reports its wage and tax deposit data on the Forms W-2, W-3 and 941. In the examples which follow, WireMasters employed 8 individuals who have been affected by at least one of the special reporting situations (defined above). SPI Insurance Co. (a third-party payer) is responsible for paying sick pay to two of WireMasters's employees, Tara Mason and Josie Schaeffer. Illustrated are various special reporting situations for the WireMasters Company in TY 2001. The scenario consists of : Employer Wage and Tax Deposit Data (Forms 941, W-3 and W-2); Employee Wage and Tax Statements (Forms W-3 and W-2); and Payroll Register Data Tables.

Note: For SPI, one form W-2 was prepared to show the sick pay paid and taxes withheld as well as a "Dummy Form W-2 and W-3" were prepared to show the combined amount of sick pay paid to all employees of WireMasters to whom SPI made payments. For ease of illustration, a facsimile Form 941 for SPI Insurance Co. was prepared, which portrays an "annual mock-up" and is intended to show that SPI's Form 941 correspond to its Form W-3. Forms 941 must be filed quarterly - not annually.

WireMasters annual Form 941 mock-up (page 113) is used to show how you could use a Form 941 or other work sheet to check the accuracy of your reporting for the year. This form balances to (1) the sum of the four preceding quarterly Forms 941 (pages 109 through 112), (2) the Form W-3 WireMasters submitted to SSA (page 114) and (3) the sum of the eight Forms W-2 WireMasters issued (pages 115 through 118). WireMasters' Forms 941, W-3 and W-2 are correct examples because they meet the following criteria.

Payroll Register versus Forms 941

- Each quarterly Form 941 balances to (1) the sum of the corresponding employee payroll register data for each quarter (Exhibits 5-1 through 5-4) and (2) the corresponding annual payroll register summary data (Exhibit 6) for each of the following:
 - a. Total Wages, tips, other compensation and Federal income tax withheld;
 - b. Taxable Social Security wages and taxable Social Security tips; and
 - c. Taxable Medicare wages and tips.
- Regarding sick pay, WireMasters:
 - a. Treated sick pay payments correctly in terms of identifying wages representing (1) only the percentage of the premium cost of the sick pay plan borne by WireMasters as federally taxable wages and (2) only the first six months of sick pay as taxable Social Security and Medicare wages; and
 - b. Properly adjusted the Social Security and Medicare taxes withheld on each applicable Form 941 (line 9) to reflect (1) employee taxes withheld and paid by a third-party payer and (2) uncollected employee Social Security and Medicare taxes.

Forms 941 versus Forms W-3

- The following data from the Form W-3 balance to the annual sum of the four quarterly Forms 941:
 - a. Wages, tips, other compensation and Federal income tax withheld;
 - b. Social Security wages and Social Security tips; and
 - c. Medicare wages and tips.
- Regarding the Form W-3, WireMasters properly reported the Income Tax Withheld by a Third-party Payer in Box 15 of the Form W-3, based on sick payments made to an employee by a third-party.

Forms W-3 versus Forms W-2

- The sum of all wages and tax withheld on the Forms W-2 balance to the aggregate wages and tax withheld on the Form W-3.
- Regarding Group-Term Life Insurance (GTLI) over \$50,000, WireMasters:
 - a. Used the Form W-2 to report the taxable cost of GTLI over \$50,000; and
 - b. Treated the cost of GTLI over \$50,000 as income and withheld only the FICA tax on that income for current (not retired) employees.
- Regarding Advance Earned Income Credit (EIC) Payments, WireMasters:
 - a. Used the Form W-2 to report Advance EIC;
 - b. Did not treat the Advance EIC payment as wages (did not include in boxes 1, 3 or 5);
 - c. Did not withhold income, Social Security or Medicare taxes;
 - d. Did not use the Advance EIC payment amount to change the amount of income, Social Security or Medicare taxes withheld from the employee's wages; and
 - e. Showed the total Advance EIC payments in box 9 on the Form W-2.
- Regarding Deceased Employee Wages, WireMasters:
 - a. Used the Form W-2 to report the wage payment as Social Security and Medicare wages (boxes 3 and 5 respectively);
 - b. Used the Form W-2 to show that Social Security and Medicare taxes (boxes 4 and 6 respectively) are withheld; and
 - c. Did not show the payments in box 1.
- Regarding Fringe Benefits, WireMasters:
 - a. Used the Form W-2 to report all taxable fringe benefits in box 1 as taxable wages;
 - b. Included the taxable fringe benefits in boxes 3 and 5 as social security and Medicare wages; and
 - c. Showed the total value of the fringe benefits in box 12.
- Regarding the Elective Deferral to a 401-(k) Plan, WireMasters:
 - a. Reported in box 12 the elective deferral and identified it by using code D;
 - b. Checked the Retirement Plan check box in box 13; and
 - c. Excluded the amount of the elective deferral from box 1.

Special Note on Sick Pay Reporting

Sick pay generally means any amount paid under a plan because of an employee's temporary absence from work due to injury, sickness or disability. It may be paid by either the employer or a third party, such as an insurance company. Sick pay does not include the following payments: disability retirement payments; worker's compensation; medical expense payments or payments unrelated to absence from work.

Sick Pay Paid by Third Party where Liability is not transferred

If the third party does not satisfy the requirements for transferring liability for the employer's part of the Social Security and Medicare taxes, the third party reports the sick pay on its own Forms 941. In this situation, the employer has no tax responsibilities for sick pay. The third party must deposit Social Security and Medicare taxes and withheld income taxes using its own name and EIN. The third party must give each employee to whom it paid sick pay a Form W-2 using the third party's name, address, and EIN. For illustration, see the example for Tara Mason on page 122 for further clarification.

Sick Pay Paid by Third Party where Liability is transferred

If a third party transfers the employer part of Social Security and Medicare taxes, the following rules apply: The third party must make deposits of withheld employee Social Security, Medicare and income taxes using its own name and EIN. The third party and employer must each file Form 941 on which line 9 must contain a special adjusting entry for Social Security and Medicare taxes. These entries are required because the total tax liability for Social Security and Medicare taxes (employer and employee parts) is split between the employer and the third party. For illustration, see the example for Josie Schaeffer on page 132.

Employer: If liability is transferred from a third party, the employer must include third party sick pay on lines 2, 6a and 7a of the Forms 941. After completing line 8, subtract line 9, employee Social Security and Medicare taxes withheld and deposited by the third party. Enter the amount in the "sick pay" space provided. If line 9 includes adjustments unrelated to sick pay, show those amounts in the spaces provided and the total in the line 9 box on the right.

Third Party: If liability is transferred from a third party then the third party must include the employee part of the income, Social Security and Medicare taxes it withheld on the Forms 941. The third party does not include on line 2 any sick pay paid as a third party but does include on line 3 any income tax withheld. On line 6a, the third party enters the total amount it paid subject to Social Security taxes. On line 7a, the third party enters the total amount it paid subject to Medicare taxes. On line 9, the third party subtracts the amount the employer must pay. The third party enters the amount the employer must pay on line 9 in the "sick pay" space provided. If line 9 includes adjustments unrelated to sick pay, show those amounts in the spaces provided and the total in the line 9 box on the right.

Enter state code for state in which deposits were made ONLY if different from state in address to the right (see page 3 of instructions).

Name(as distinguished from trade name)

Date quarter ended

WIREMASTERS COMPANY

March 31, 2001

Trade name, if any

Employer identification number

55-0198765

Address (number and street)

City, state, and ZIP code

123 SMALL BUSINESS WAY

BALTIMORE, MD 21201

If address is different from prior return, check here ☐

If you do not have to file returns in the future, check here ☐ and enter date final wages paid

If you are a seasonal employer, see Seasonal employers on page 1 of the instructions and check here

1	Number of employees (except household) employed in the pay period that includes March 12th	1	8	
2	Total wages and tips, plus other compensation	2	\$101678	60
3	Total income tax withheld from wages, tips, and sick pay	3	20335	72
4	Adjustment of withheld income tax for preceding quarters of calendar year	4		
5	Adjusted total of income tax withheld (line 3 as adjusted by line 4 - see instructions)	5	20335	72
6	Taxable social security wages	6a	\$104328	60
			X12.4%(.124) =	
	Taxable social security tips	6c	\$ 1125	00
			X12.4%(.124) =	
7	Taxable Medicare wages and tips	7a	\$104678	00
			X 2.9%(.029) =	
8	Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax	8	16111	92
9	Adjustment of social security and Medicare taxes (see instructions for required explanation)			
	Sick Pay \$ _____ ± Fractions of Cents \$ _____ ± Other \$ _____ =	9		
10	Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9-see instructions)	10	16111	92
11	Total taxes (add lines 5 and 10)	11	36447	64
12	Advance earned income credit (EIC) payments made to employees	12	156	0
13	Net taxes (subtract line 12 from line 11). This should equal line 17, column (d) below (or line D of Schedule B (Form 941)).	13	36291	64
14	Total deposits for quarter, including overpayment applied from a prior quarter	14	36291	64
15	Balance due (subtract line 14 from line 13). See instructions	15		
16	Overpayment, if line 14 is more than line 13, enter excess here \$ _____ and check if to be: <input type="checkbox"/> Applied to next return OR <input type="checkbox"/> Refunded.			

o All filers: If line 13 is less than \$500, you need not complete line 17 or Schedule B.

o Semiweekly schedule depositors: Complete Schedule B and check here

o Monthly schedule depositors: Complete line 17, columns (a) through (d) and check here

17 Monthly Summary of Federal Tax Liability. Do not complete if you are a semiweekly schedule depositor			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
12097.21	12097.21	12097.22	36291.64

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

**Sign
Here**

Signature

Print Your Name and Title

Date _____

For Paperwork Reduction Act Notice, see page 1 of separate instructions.

Cat. No. 17001Z

Form 941 (R 1-2001)

(Rev. January 2001)
Department of the Treasury
Internal Revenue Service (O)

4141

See separate instructions for information on completing this form

Please type or print.

Enter state code for state in which deposits were made ONLY if different from state in address to the right (see page 3 of instructions).

Name(as distinguished from trade name)

Date quarter ended

WIREMASTERS COMPANY

September 30, 2001

Trade name, if any

Employer identification number

55-0198765

Address (number and street)

City, state, and ZIP code

123 SMALL BUSINESS WAY

BALTIMORE, MD 21201

If address is different from prior return, check here ☐

If you do not have to file returns in the future, check here ☐ and enter date final wages paid

If you are a seasonal employer, see Seasonal employers on page 1 of the instructions and check here

1 Number of employees (except household) employed in the pay period that includes March 12th

2	Total wages and tips, plus other compensation	2	78355	00
3	Total income tax withheld from wages, tips, and sick pay	3	15671	00
4	Adjustment of withheld income tax for preceding quarters of calendar year	4		
5	Adjusted total of income tax withheld (line 3 as adjusted by line 4 - see instructions)	5	15671	00
6	Taxable social security wages	6a	\$79805	00
			X 12.4% (.124) =	
	Taxable social security tips	6c	\$ 1125	00
			X 12.4% (.124) =	
7	Taxable Medicare wages and tips	7a	\$80155	00
			X 2.9% (.029) =	
8	Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax	8	12358	82
9	Adjustment of social security and Medicare taxes (see instructions for required explanation)	9	459	00
10	Sick Pay \$ _____ ± Fractions of Cents \$ _____ ± Other \$ _____ = Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9-see instructions)	10	11899	82
11	Total taxes (add lines 5 and 10)	11	27570	82
12	Advance earned income credit (EIC) payments made to employees.	12	156	00
13	Net taxes (subtract line 12 from line 11). This should equal line 17, column (d) below (or line D of Schedule B (Form 941)).	13	27414	82
14	Total deposits for quarter, including overpayment applied from a prior quarter	14	27414	82
15	Balance due (subtract line 14 from line 13). See instructions	15		

and check if to be: ☐ Applied to next return OR ☐ Refunded.

o All filers: If line 13 is less than \$500, you need not complete line 17 or Schedule B.

o Semiweekly schedule depositors: Complete Schedule B and check here

o Monthly schedule depositors: Complete line 17, columns (a) through (d) and check here

17 Monthly Summary of Federal Tax Liability. Do not complete if you are a semiweekly schedule depositor.

(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
9138.27	9138.27	9138.28	27414.82

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

**Sign
Here**

Signature

Print Your Name and Title

Date _____

For Paperwork Reduction Act Notice, see page 1 of separate instructions.

Cat. No. 17001Z

Form 941(R 1-2001)

(Rev. January 2001)
Department of the Treasury
Internal Revenue Service (O)

4141

See separate instructions for information on completing this form

Please type or print.

Enter state code for state in which deposits were made ONLY if different from state in address to the right (see page 3 of instructions).

Name(as distinguished from trade name)

Date quarter ended

WIREMASTERS COMPANY

December 31, 2001

Trade name, if any

Employer identification number

55-0198765

Address (number and street)

City, state, and ZIP code

123 SMALL BUSINESS WAY

BALTIMORE, MD 21201

If address is different from prior return, check here ☐

If you do not have to file returns in the future, check here ☐ and enter date final wages paid

If you are a seasonal employer, see Seasonal employers on page 1 of the instructions and check here

1 Number of employees (except household) employed in the pay period that includes March 12th

2	Total wages and tips, plus other compensation	2	79027	00
3	Total income tax withheld from wages, tips, and sick pay	3	15805	40
4	Adjustment of withheld income tax for preceding quarters of calendar year	4		
5	Adjusted total of income tax withheld (line 3 as adjusted by line 4 - see instructions)	5	15805	40
6	Taxable social security wages	6a	\$78677	00
			X12.4%(.124) =	
	Taxable social security tips	6c	\$ 1125	00
			X12.4%(.124) =	
7	Taxable Medicare wages and tips	7a	\$82127	00
			X 2.9%(.029) =	
8	Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax	8	12277	13
9	Adjustment of social security and Medicare taxes (see instructions for required explanation)			
	Sick Pay \$ _____ ± Fractions of Cents \$ _____ ± Other \$ _____ =	9	321	30
10	Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9-see instructions)	10	11955	83
11	Total taxes (add lines 5 and 10)	11	27761	23
12	Advance earned income credit (EIC) payments made to employees	12	156	00
13	Net taxes (subtract line 12 from line 11). This should equal line 17, column (d) below (or line D of Schedule B (Form 941)).	13	27605	23
14	Total deposits for quarter, including overpayment applied from a prior quarter	14	27605	23
15	Balance due (subtract line 14 from line 13). See instructions	15		

16 Overpayment, if line 14 is more than line 13, enter excess here \$ _____
and check if to be: ☐ Applied to next return OR ☐ Refunded.

o All filers: If line 13 is less than \$500, you need not complete line 17 or Schedule B.

o Semiweekly schedule depositors: Complete Schedule B and check here

o Monthly schedule depositors: Complete line 17, columns (a) through (d) and check here

17 Monthly Summary of Federal Tax Liability. Do not complete if you are a semiweekly schedule depositor.

(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
9201.74	9201.74	9201.75	27605.23

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

**Sign
Here**

Signature

Print Your Name and Title

Date _____

For Paperwork Reduction Act Notice, see page 1 of separate instructions.

Cat. No. 17001Z

Form 941 (R 1-2001)

(Rev. January 2001)
Department of the Treasury
Internal Revenue Service (O)

4141

See separate instructions for information on completing this form

Please type or print.

Enter state code for state in which deposits were made ONLY if different from state in address to the right (see page 3 of instructions).

Name(as distinguished from trade name)

Date quarter ended

WIREMASTERS COMPANY

Trade name, if any

Employer identification number

55-0198765

Address (number and street)

City, state, and ZIP code

123 SMALL BUSINESS WAY

BALTIMORE, MD 21201

If address is different from prior return, check here ☐

If you do not have to file returns in the future, check here ☐ and enter date final wages paid

If you are a seasonal employer, see Seasonal employers on page 1 of the instructions and check here

1	Number of employees (except household) employed in the pay period that includes March 12th	1	8	
2	Total wages and tips, plus other compensation	2	361098	00
3	Total income tax withheld from wages, tips, and sick pay	3	72219	60
4	Adjustment of withheld income tax for preceding quarters of calendar year	4		
5	Adjusted total of income tax withheld (line 3 as adjusted by line 4 - see instructions)	5	72219	60
6	Taxable social security wages	6a	\$367498	00
			X12.4%(.124) =	
		6b	45569	75
	Taxable social security tips	6c	\$ 4500	00
			X12.4%(.124) =	
		6d	558	00
7	Taxable Medicare wages and tips	7a	\$371998	00
			X 2.9%(.029) =	
		7b	10787	94
8	Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax	8	56915	69
9	Adjustment of social security and Medicare taxes (see instructions for required explanation)			
	Sick Pay \$ _____ ± Fractions of Cents \$ _____ ± Other \$ _____ =	9	918	00
10	Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9-see instructions)	10	55997	69
11	Total taxes (add lines 5 and 10)	11	128217	29
12	Advance earned income credit (EIC) payments made to employees.	12	624	00
13	Net taxes (subtract line 12 from line 11). This should equal line 17, column (d) below (or line D of Schedule B (Form 941)).	13	127593	29
14	Total deposits for quarter, including overpayment applied from a prior quarter	14	127593	29
15	Balance due (subtract line 14 from line 13). See instructions	15		
16	Overpayment, if line 14 is more than line 13, enter excess here			
	and check if to be:			
	<input type="checkbox"/> Applied to next return	OR	<input type="checkbox"/> Refunded.	

o All filers: If line 13 is less than \$500, you need not complete line 17 or Schedule B.

o Semiweekly schedule depositors: Complete Schedule B and check here

o Monthly schedule depositors: Complete line 17, columns (a) through (d) and check here

17 Monthly Summary of Federal Tax Liability. Do not complete if you are a semiweekly schedule depositor			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

**Sign
Here**

Signature

Print Your Name and Title

Date _____

For Paperwork Reduction Act Notice, see page 1 of separate instructions.

Cat. No. 17001Z

Form 941 (R 1-2001)

a Control number		For Official Use Only OMB No. 1545-0008			
b Kind of Payer	941 <input checked="" type="checkbox"/>	Military <input type="checkbox"/>	943 <input type="checkbox"/>	1 Wages, tips, other compensation	2 Federal income tax withheld
	CT-1 <input type="checkbox"/>	Hshld emp <input type="checkbox"/>	Medicare govt. emp. <input type="checkbox"/>	\$ 361098.00	\$ 72219.60
			Third-party sick pay <input type="checkbox"/>	3 Social security wages	4 Social security tax withheld
c Total number of forms W-2		d Establishment number	5 Medicare wages and tips	6 Medicare tax withheld	
8			\$ 371998.00	\$ 5393.97	
e Employer identification number			7 Social security tips	8 Allocated tips	
55-0198765			\$ 4500.00	\$ 3000.00	
f Employer's name			9 Advance EIC payments	10 Dependent care benefits	
WIREMASTERS COMPANY			\$ 624.00	\$	
123 Small Business Way Baltimore, MD 21201			11 Nonqualified plans	12 Deferred compensation	
			\$	\$ 12000.00	
			13 For Third-party sick pay use only		
			14 Income tax withheld by Third-party sick pay payee		
g employer's address and ZIP code			\$ 2760.00		
h Other EIN used this year					
15 State	Employer's state ID number		16 State wages, tips, etc.	17 State income tax	
			\$	\$	
			18 Local wages, tips, etc.	19 Local income tax	
			\$	\$	
Contact person			Telephone number	For Official Use Only	
John Newton			(777) 111-2222		
E-mail address			Fax number		
			(777) 111-2223		

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete

Signature _____ Title _____ Date _____

Form **W-3** Transmittal of Wage and Tax Statements

2001 Department of the Treasury
Internal Revenue Service

Active/full-FICA

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-0198765			1 Wages, tips, other compensation \$ 12220.00		2 Federal income tax withheld \$ 2444.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201			3 Social security wages \$ 12220.00		4 Social security tax withheld \$ 757.64	
			5 Medicare wages and tips \$ 12220.00		6 Medicare tax withheld \$ 177.19	
			7 Social Security tips \$		8 Allocated tips \$	
			9 Advance EIC payment \$ 624.00		10 Dependent care benefits \$	
d Employee's social security number 345-89-6701			11 Nonqualified plans -		12a See instructions for box 12 c o d e s	
e Employee's first name and initial Last name RANDOLPH MARANO 123 MAPLE ST. BALTIMORE, MD 21201			13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e s	
			14 Other		12c c o d e s	
					12d c o d e s	
					12e c o d e s	
f Employee's address and Zip code						
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local income tax	20 Locality name
		\$				
		\$				

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
 Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act notice, see separate instructions

Active/full-FICA

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-0198765			1 Wages, tips, other compensation \$ 49500.00		2 Federal income tax withheld \$ 9900.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201			3 Social security wages \$ 50000.00		4 Social security tax withheld \$ 3379.00	
			5 Medicare wages and tips \$ 54500.00		6 Medicare tax withheld \$ 790.00	
			7 Social Security tips \$ 4500.00		8 Allocated tips \$ 3000.00	
			9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 234-78-5690			11 Nonqualified plans -		12a See instructions for box 12 c o d e s	
e Employee's first name and initial Last name SANDRA SPENCER 420 SMITH AVE. BALTIMORE, MD 21201			13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12b c o d e s	
			14 Other		12c c o d e s	
					12d c o d e s	
					12e c o d e s	
f Employee's address and Zip code						
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local income tax	20 Locality name
		\$				
		\$				

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
 Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act notice, see separate instructions

Active/full-FICA

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 55-0198765			1 Wages, tips, other compensation \$ 52000.00		2 Federal income tax withheld \$ 10400.00		
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201			3 Social security wages \$ 52000.00		4 Social security tax withheld \$ 3224.00		
			5 Medicare wages and tips \$ 52000.00		6 Medicare tax withheld \$ 754.00		
			7 Social Security tips \$		8 Allocated tips \$		
			9 Advance EIC payment \$		10 Dependent care benefits \$		
d Employee's social security number 567-01-8923		e Employee's first name and initial JUNGHEE		Last name KIM		11 Nonqualified plans -	
f Employee's address and Zip code 567 EASTERN AVE. BALTIMORE, MD 21201		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e \$		12b \$	
		14 Other		12c \$		12d \$	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax		18 Local Wages, tips, etc.	
		\$				19 Local income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2001**
 Copy A For Social Security Administration Cat. No. 10134D

Department of the Treasury-Internal Revenue Service
 For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

Active/full-FICA)

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 55-0198765			1 Wages, tips, other compensation \$ 33006.00		2 Federal income tax withheld \$ 6601.20		
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201			3 Social security wages \$ 31206.00		4 Social security tax withheld \$ 1934.77		
			5 Medicare wages and tips \$ 31206.00		6 Medicare tax withheld \$ 452.49		
			7 Social Security tips \$		8 Allocated tips \$		
			9 Advance EIC payment \$		10 Dependent care benefits \$		
d Employee's social security number 456-90-7812		e Employee's first name and initial JOSIE		Last name SCHAEFFER		11 Nonqualified plans -	
f Employee's address and Zip code 901 AIRY WAY BALTIMORE, MD 21201		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e \$ 9200		12b \$	
		14 Other SK PAY - SPI Ins. Co.		12c \$		12d \$	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax		18 Local Wages, tips, etc.	
		\$				19 Local income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2001**
 Copy A For Social Security Administration Cat. No. 10134D

Department of the Treasury-Internal Revenue Service
 For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

Active/full-FICA

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-0198765				1 Wages, tips, other compensation \$ 70672.00		2 Federal income tax withheld \$ 14030.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 77672.00		4 Social security tax withheld \$ 4815.66	
				5 Medicare wages and tips \$ 77672.00		6 Medicare tax withheld \$ 1126.24	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 719-50-3210		e Employee's first name and initial DOMINIQUE D		Last name JOHNSON		11 Nonqualified plans	
f Employee's address and Zip code 650 HOPE RD. BALTIMORE, MD 21202		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 D \$ 7000		12b See instructions for box 12 C \$ 522	
		14 Other Wages paid after death 3100.00		12c See instructions for box 12 I \$ 350		12d See instructions for box 12 \$	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax \$		18 Local Wages, tips, etc. \$	
						19 Local income tax \$	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
 Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

Active/full-FICA)

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-0198765				1 Wages, tips, other compensation \$ 76900.00		2 Federal income tax withheld \$ 15380.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 80000.00		4 Social security tax withheld \$ 4960.00	
				5 Medicare wages and tips \$ 80000.00		6 Medicare tax withheld \$ 1160.00	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 023-67-4589		e Employee's first name and initial EDWARD E		Last name McNAMARA		11 Nonqualified plans	
f Employee's address and Zip code 800 CLARK RD. SEVERN, MD 21144		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 \$		12b See instructions for box 12 \$	
		14 Other Wages paid after death 3100.00		12c See instructions for box 12 \$		12d See instructions for box 12 \$	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax \$		18 Local Wages, tips, etc. \$	
						19 Local income tax \$	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
 Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

Active/full-FICA

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 55-0198765			1 Wages, tips, other compensation \$ 46800.00		2 Federal income tax withheld \$ 9360.00		
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201			3 Social security wages \$ 44400.00		4 Social security tax withheld \$ 2752.80		
			5 Medicare wages and tips \$ 44400.00		6 Medicare tax withheld \$ 643.80		
			7 Social Security tips \$		8 Allocated tips \$		
			9 Advance EIC payment \$		10 Dependent care benefits \$		
d Employee's social security number 701-45-2367		e Employee's first name and initial GARTH V		Last name SMITH		11 Nonqualified plans	
1205 TOWER ST. BALTIMORE, MD 21201		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 \$ 4200		12b \$	
		14 Other		12c \$		12d \$	
f Employee's address and Zip code			15 State		Employer's state ID number		
			16 State wages, tips, etc. \$		17 State income tax		
					18 Local Wages, tips, etc.		
					19 Local Income tax		
					20 Locality name		

Form **W-2** Wage and Tax Statement **2001**
 Copy A For Social Security Administration Cat. No. 10134D

Department of the Treasury-Internal Revenue Service
 For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

Active (MQGE/full-FICA)

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008		
b Employer Identification number 55-0198765			1 Wages, tips, other compensation \$ 20000.00		2 Federal income tax withheld \$ 4000.00		
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201			3 Social security wages \$ 20000.00		4 Social security tax withheld \$ 1240.00		
			5 Medicare wages and tips \$ 20000.00		6 Medicare tax withheld \$ 290.00		
			7 Social Security tips \$		8 Allocated tips \$		
			9 Advance EIC payment \$		10 Dependent care benefits \$		
d Employee's social security number 666-90-7812		e Employee's first name and initial TARA L		Last name MASON		11 Nonqualified plans	
911 BANK ST. BALTIMORE, MD 21224		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 \$		12b \$	
		14 Other		12c \$		12d \$	
f Employee's address and Zip code			15 State		Employer's state ID number		
			16 State wages, tips, etc. \$		17 State income tax		
					18 Local Wages, tips, etc.		
					19 Local Income tax		
					20 Locality name		

Form **W-2** Wage and Tax Statement **2001**
 Copy A For Social Security Administration Cat. No. 10134D

Department of the Treasury-Internal Revenue Service
 For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

SPI INSURANCE CO.'s W-3

a Control number		33333	For Official Use Only OMB No. 1545-0008	
b Kind of Payer		941 <input checked="" type="checkbox"/> CT-1	Military <input type="checkbox"/> Hshld emp	943 <input type="checkbox"/> Medicare govt. emp. <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>
c Total number of forms W-2		1	d Establishment number	
e Employer identification number		55-2345678		
f Employer's name		SPI INSURANCE CO		
g Employer's address and ZIP code		456 INSURANCE WAY BALTIMORE, MD 21202		
h Other EIN used this year				
15 State		Employer's state ID number	16 State wages, tips, etc.	17 State income tax
			\$	\$
			18 Local wages, tips, etc.	19 Local income tax
			\$	\$
Contact person		Telephone number		For Official Use Only
Mary Jones		(777) 222-1111		
E-mail address		Fax number		
		(777) 222-3111		

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete

Signature

Title

Date

Form

W-3 Transmittal of Wage and Tax Statements

2001

Department of the Treasury
Internal Revenue Service

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-2345678				1 Wages, tips, other compensation \$ 10000.00		2 Federal income tax withheld \$ 2000.00	
c Employer's name, address, and ZIP code SPI INSURANCE CO 456 INSURANCE WAY BALTIMORE, MD 21202				3 Social security wages \$ 10000.00		4 Social security tax withheld \$ 620.00	
				5 Medicare wages and tips \$ 10000.00		6 Medicare tax withheld \$ 145.00	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 666-90-7812		e Employee's first name and initial TARA L		Last name MASON		11 Nonqualified plans -	
911 BANK ST BALTIMORE, MD 21224		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 c o d e \$		12b c o d e \$	
		14 Other		12c c o d e \$		12d c o d e \$	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local income tax	20 Locality name	

Form

W-2Wage and Tax
Statement**2001**

Department of the Treasury-Internal Revenue Service

Copy A For Social Security Administration

Cat. No. 10134D

For Privacy Act and Paperwork Reduction
Act Notice, see separate instructions

SPI INSURANCE CO.'s RECAP W-3

a Control number		33333	For Official Use Only OMB No. 1545-0008	
b Kind of Payer	94-1	Military	94-3	
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	CT-1	Hshld emp	Medicare govt. emp.	third-party sick pay
c Total number of forms W-2		1	d Establishment number	
e Employer identification number		55-2345678		
f Employer's name		SPI INSURANCE CO		
g employer's address and ZIP code 456 INSURANCE WAY BALTIMORE, MD 21202		1 Wages, tips, other compensation		2 Federal income tax withheld
		\$ 23000.00		\$ 2760.00
		3 Social security wages		4 Social security tax withheld
		\$ 12000.00		\$ 744.00
5 Medicare wages and tips		6 Medicare tax withheld		
\$ 12000.00		\$ 174.00		
7 Social security tips		8 Allocated tips		
\$		\$		
9 Advance EIC payments		10 Dependent care benefits		
\$		\$		
11 Nonqualified plans		12 Deferred compensation		
\$		\$		
13 For third-party sick pay use only "Third Party Sick pay RECAP"				
14 Income tax withheld by third-party sick pay payer				
\$				
h Other EIN used this year				
15 State		Employer's state ID number		
\$		\$		
16 State wages, tips, etc.		17 State income tax		
\$		\$		
18 Local wages, tips, etc.		19 Local income tax		
\$		\$		
Contact person		Telephone number		For Official Use Only
Mary Jones		(777) 222-1111		
E-mail address		Fax number		
		(777) 222-3111		

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief they are true, correct, and complete

Signature

Title

Date

Form

W-3 Transmittal of Wage and Tax Statements

2001

Department of the Treasury
Internal Revenue Service

NOTE: Use only paper forms to file "RECAP" forms, do not use magnetic media.

The following is a "RECAP" Form W-2 prepared by SPI Insurance Co.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-2345678				1 Wages, tips, other compensation \$ 23000.00		2 Federal income tax withheld \$ 2760.00	
c Employer's name, address, and ZIP code SPI INSURANCE COL 456 INSURANCE WAY BALTIMORE, MD 21202				3 Social security wages \$ 12000.00		4 Social security tax withheld \$ 744.00	
				5 Medicare wages and tips \$ 12000.00		6 Medicare tax withheld \$ 174.00	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number				11 Nonqualified plans		12a See instructions for box 12 c o d e	
e Employee's first name and initial "Third-Party Sick-Pay RECAP" Last name				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e	
				14 Other		12c c o d e	
						12d c o d e	
						12e c o d e	
f Employee's address and Zip code				15 State Employer's state ID number		16 State wages, tips, etc. \$	
				17 State income tax		18 Local Wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

SPI prepared the "RECAP" Form W-2 above along with the RECAP Form W-3 (on the previous page) to show the amount of sick pay paid to employees of Wiremasters Company. Preparing these "RECAPS" provides a means of reconciling the wages shown on SPI's Form 941. Failure to file these "RECAP" forms contributes to the SSA/IRS reconciliation problem.

NOTE: Use only paper forms to file "RECAP" forms, do not use magnetic media.

FORM W-2 COMMON ERRORS - CORRECT vs. INCORRECT REPORTING

A. Edward Eric McNamara was a full-FICA employee before his untimely death on November 15, 2001. Before his death, Edward received \$76,900 in wages. After death, Mr. McNamara was owed \$3,100 in accrued wages. Wiremasters paid Mr. McNamara's estate the accrued wages on November 30, 2001. **NOTE:** The after-death payment (\$3100) made to Mr. McNamara's estate **must be reported** in box 3 of the IRS Form 1099-Misc, Miscellaneous Income.

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-0198765			1 Wages, tips, other compensation \$ 76,900.00		2 Federal income tax withheld \$ 15380.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201			3 Social security wages \$ 80000.00		4 Social security tax withheld \$ 4960.00	
			5 Medicare wages and tips \$ 80000.00		6 Medicare tax withheld \$ 1160.00	
			7 Social Security tips \$		8 Allocated tips \$	
			9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 023-67-4589			11 Nonqualified plans -		12a See instructions for box 12 c o d e	
e Employee's first name and initial EDWARD E Last name McNAMARA 800 CLARK RD. SEVERN, MD 21144			13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e	
			14 Other Wages paid after death 3100.00		12c c o d e	
					12d c o d e	
f Employee's address and Zip code			15 State Employer's state ID number		16 State wages, tips, etc. \$	
			17 State income tax		18 Local Wages, tips, etc.	
			19 Local Income tax		20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
Copy A For Social Security Administration For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

The following W-2 for Edward Eric McNamara is incorrect. Please review these common errors and the discussion of these errors below the W-2

a Control number		22222	Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-0198765			1 Wages, tips, other compensation \$ 80000.00		2 Federal income tax withheld \$ 16000.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201			3 Social security wages \$ 80000.00		4 Social security tax withheld \$ 4960.00	
			5 Medicare wages and tips \$ 80000.00		6 Medicare tax withheld \$ 1160.00	
			7 Social Security tips \$		8 Allocated tips \$	
			9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 023-67-4589			11 Nonqualified plans -		12a See instructions for box 12 c o d e	
e Employee's first name and initial EDWARD E Last name McNAMARA 800 CLARK RD. SEVERN, MD 21144			13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e	
			14 Other Wages paid after death 3100.00		12c c o d e	
					12d c o d e	
f Employee's address and Zip code			15 State Employer's state ID number		16 State wages, tips, etc. \$	
			17 State income tax		18 Local Wages, tips, etc.	
			19 Local Income tax		20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
Copy A For Social Security Administration For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

The W-2 above is incorrect because the preparer included in Box 1, the \$3100 after death payment made to Mr. McNamara's estate. The preparer appropriately included the after death payment as social security and Medicare wages. Further, when an employee's estate is paid his/her accrued wages in the year of death, the payment should not be shown in Box 1 (Wages, tips and other compensation).

B. Sandra Spencer is an employee subject to full-FICA. Mrs. Spencer's salary is \$50,000. She has elected to participate in Wiremasters' 401-(k) plan by making an annual contribution of 10 percent of her salary (\$5,000). Her unallocated tips equalled \$4,500. Her allocated tips were \$3,000.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-0198765				1 Wages, tips, other compensation \$ 49500.00		2 Federal income tax withheld \$ 9900.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 50000.00		4 Social security tax withheld \$ 3379.00	
				5 Medicare wages and tips \$ 54500.00		6 Medicare tax withheld \$ 790.25	
				7 Social Security tips \$ 4500.00		8 Allocated tips \$ 3000.00	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 234-78-5690				11 Nonqualified plans \$		12a See instructions for box 12 D \$ 5000.00	
e Employee's first name and initial SANDRA		Last name SPENCER		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12b \$	
f Employee's address and Zip code 420 SMITH AVE. BALTIMORE, MD 21201				14 Other		12c \$	
						12d \$	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax		18 Local Wages, tips, etc.	
						19 Local Income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service

The following W-2 for Sandra Spencer is incorrect. Please review these common errors and the discussion below the W-2.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-0198765				1 Wages, tips, other compensation \$ 50000.00		2 Federal income tax withheld \$ 10000.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 54500.00		4 Social security tax withheld \$ 4169.25	
				5 Medicare wages and tips \$ 54500.00		6 Medicare tax withheld \$	
				7 Social Security tips \$ 4500.00		8 Allocated tips \$ 3000.00	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 234-78-5690				11 Nonqualified plans \$		12a See instructions for box 12 D \$ 5000.00	
e Employee's first name and initial SANDRA		Last name SPENCER		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12b \$	
f Employee's address and Zip code 420 SMITH AVE. BALTIMORE, MD 21201				14 Other		12c \$	
						12d \$	
15 State Employer's state ID number		16 State wages, tips, etc. \$		17 State income tax		18 Local Wages, tips, etc.	
						19 Local Income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service

The W-2 above is incorrect because the preparer: 1) neglected to exclude the employee's contribution to the 401-(k) plan from box 1, Wages, tips and other compensation; 2) failed to apply the correct tax rate to taxable social security wages and tips (used combined social security and Medicare rate 7.65 percent); and 3) neglected to calculate any Medicare tax liability.

The calculations are: Box 1: \$50,000 - \$5,000 = \$45,000 + \$4,500 [box 7] = **\$49,500**.

Box 2: \$49,500. [box 1] x 20% = **\$9,900**.

Box 4: (\$54,500 [box 3] x 6.2% = **\$3,379**.

Box 6: (\$50,000 [box 5] x 1.45% = **\$790.25**

C. Randolph Marano, a single parent, is a part-time employee of the Wiremasters Company. He elected to receive Advance Earned Income Credit (EIC) by properly completing Form W-5, EIC Advance Payment Certificate. He received \$624 in Advance EIC in 2001.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-0198765				1 Wages, tips, other compensation \$ 12220.00		2 Federal income tax withheld \$ 2440.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 12220.00		4 Social security tax withheld \$ 757.64	
				5 Medicare wages and tips \$ 12220.00		6 Medicare tax withheld \$ 177.19	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$ 624.00		10 Dependent care benefits \$	
d Employee's social security number 345-89-6701		e Employee's first name and initial RANDOLPH		Last name MARANO		11 Nonqualified plans \$	
123 MAPLE ST. BALTIMORE, MD 21201				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 \$	
				14 Other Wages paid after death 3100.00		12b \$	
						12c \$	
						12d \$	
f Employee's address and Zip code				15 State		Employer's state ID number	
16 State wages, tips, etc.		17 State income tax		18 Local Wages, tips, etc.		19 Local Income tax	
20 Locality name							

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service

The following W-2 for Randolph Marano is incorrect. Please review these common errors and the discussion below the W-2

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-0198765				1 Wages, tips, other compensation \$ 12844.00		2 Federal income tax withheld \$ 2568.80	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 12844.00		4 Social security tax withheld \$ 796.33	
				5 Medicare wages and tips \$ 12844.00		6 Medicare tax withheld \$ 186.24	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$ 624.00		10 Dependent care benefits \$	
d Employee's social security number 023-67-4589		e Employee's first name and initial RANDOLPH		Last name MARANO		11 Nonqualified plans \$	
123 MAPLE ST. BALTIMORE, MD 21201				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 \$	
				14 Other Wages paid after death 3100.00		12b \$	
						12c \$	
						12d \$	
f Employee's address and Zip code				15 State		Employer's state ID number	
16 State wages, tips, etc.		17 State income tax		18 Local Wages, tips, etc.		19 Local Income tax	
20 Locality name							

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service

In this example, the preparer erroneously considered the \$624 Advance EIC payment wages and included it in boxes 1, 3 and 5 and withheld the appropriate income, social security and Medicare taxes. However, Advance EIC payments are not wages and are not subject to withholding of income, or Medicare taxes. Advance EIC payment amounts **should only be shown in box 9, Advance EIC payment.**

D. Junghee Kim is an employee subject to full-FICA. Her W-2 below is voided because the preparer transposed the social security and Medicare wage amounts and after doing that, withheld the appropriate tax rate on the transposed amounts. The amount of social security and Medicare wages was actually \$52,000. Please review the discussion below the Form W-2.

a Control number		22222		Void <input checked="" type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-0198765				1 Wages, tips, other compensation \$ 52000.00		2 Federal income tax withheld \$ 10400.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 25000.00		4 Social security tax withheld \$ 1550.00	
				5 Medicare wages and tips \$ 25000.00		6 Medicare tax withheld \$ 362.50	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 567-01-8923		e Employee's first name and initial JUNGHEE		Last name KIM		11 Nonqualified plans \$	
567 EASTERN AVE. BALTIMORE, MD 21201				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 \$	
				14 Other		12b \$	
						12c \$	
						12d \$	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Wage and Tax
Statement

2001

Department of the Treasury-Internal Revenue Service

Form **W-2**

The "Void" box was checked on the Form W-2 above because an error was made and the preparer completed a new Form W-2 (below). The amounts shown on the "Void" form above **should not** be included in the totals entered on Wiremasters' Form W-3.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-0198765				1 Wages, tips, other compensation \$ 52000.00		2 Federal income tax withheld \$ 10400.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 52000.00		4 Social security tax withheld \$ 3224.00	
				5 Medicare wages and tips \$ 52000.00		6 Medicare tax withheld \$ 754.00	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 567-01-8923		e Employee's first name and initial JUNGHEE		Last name KIM		11 Nonqualified plans \$	
567 EASTERN AVE. BALTIMORE, MD 21201				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 \$	
				14 Other		12b \$	
						12c \$	
						12d \$	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Wage and Tax
Statement

2001

Department of the Treasury-Internal Revenue Service

Form **W-2**

The form W-2 above is correct and all the amounts from this Form W-2 **should be** included in Wiremasters' W-3 totals.

E. Garth V. Smith, an employee of Wiremasters Company, was seriously injured in a car accident (not job-related) on May 2, 2001. His last work day was May 1, 2001. He began receiving sick pay from Wiremasters on June 2, 2001. For the 3 policy years before 2001, Wiremasters paid 80 percent of the sick plan's policy cost while Smith paid 20 percent. Smith's wages were \$30,000 in 2001. He received sick pay of \$3,000 per month during his 7 month absence. Smith returned to work on January 4, 2002.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-0198765				1 Wages, tips, other compensation \$ 46800.00		2 Federal income tax withheld \$ 9460.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 44400.00		4 Social security tax withheld \$ 2752.80	
				5 Medicare wages and tips \$ 44400.00		6 Medicare tax withheld \$ 643.80	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 701-45-2367				11 Nonqualified plans \$		12a See instructions for box 12 J \$ 4200	
e Employee's first name and initial GARTH V		Last name SMITH		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b \$	
1205 TOWER ST. BALTIMORE, MD 21201				14 Other		12c \$	
						12d \$	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Wage and Tax
Statement

2001

Department of the Treasury-Internal Revenue Service

Form **W-2**

The following W-2 for Garth Smith is incorrect. Please review the errors and the discussion below the W-2

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-0198765				1 Wages, tips, other compensation \$ 51000.00		2 Federal income tax withheld \$ 9360.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 51000.00		4 Social security tax withheld \$ 3162.00	
				5 Medicare wages and tips \$ 51000.00		6 Medicare tax withheld \$ 739.50	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 701-45-2367				11 Nonqualified plans \$		12a See instructions for box 12 J \$ 4200	
e Employee's first name and initial GARTH V		Last name SMITH		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b \$	
1205 TOWER ST. BALTIMORE, MD 21201				14 Other		12c \$	
						12d \$	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Wage and Tax
Statement

2001

Department of the Treasury-Internal Revenue Service

Form **W-2**

The W-2 above is incorrect because the preparer included the 20% which Garth contributed to the sick pay plan in Boxes 1,3 and 5 and withheld the appropriate taxes. The only amount of sick pay that is subject to Federal income tax withholding is \$16,800 (\$21,000 x 80%). Payments attributable to employee contributions (in this case \$4200 (\$21,000 x .20)) are not subject to income tax withholding. Also, social security and Medicare taxes do not apply to sick pay paid more than 6 months after the last calendar month in which the employee worked. Because the sick plan is contributory and Smith's after tax contribution is 20%, that 20% is not subject to social security and Medicare taxes. The amount of wages subject to social security and Medicare taxes is \$3,000 x 6(months)=\$18,000--\$18,000 - 20%=\$14,400.

The following Form W-2 was prepared by Wiremasters Company to report Tara L. Mason's wages for 2001.

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service

The following Form W-2 was prepared by SPI Insurance Co. to report sick pay paid to Ms. Mason

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service

The following Form W-2 is incorrect. Please review the errors and the discussion of these errors below the W-2

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer identification number 55-2345678				1 Wages, tips, other compensation \$ 30000.00		2 Federal income tax withheld \$ 2000.00	
c Employer's name, address, and ZIP code SPI INSURANCE CO. 456 INSURANCE WAY BALTIMORE, MD 21202				3 Social security wages \$ 30000.00		4 Social security tax withheld \$ 620.00	
				5 Medicare wages and tips \$ 30000.00		6 Medicare tax withheld \$ 145.00	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 666-90-7812		e Employee's first name and initial TARA L		Last name MASON		11 Nonqualified plans -	
911 BANK ST. BALTIMORE, MD 21224				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 -	
				14 Other		12b \$	
						12c \$	
						12d \$	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

The W-2 above is incorrect because SPI's preparer erroneously included Mason's employment wages on SPI's W-2. Because of the arrangement made between SPI and Wiremasters, SPI was responsible only for reporting sick pay wages and related taxes. Wiremasters was responsible for reporting Mason's employment wages and related taxes withheld

G. Josie Schaeffer is an employee subject to full-FICA. She was gainfully employed as an administrative assistant until may 30, 2001 when she was injured in an automobile accident. From June 1 until the end of the tax year, Mrs. Schaeffer received sick pay from SPI Insurance Co. (55-2345678). SPI insurance Co. did not pay Wiremasters' portion of FICA nor did it assume responsibility for reporting sick pay wages. Mrs. Schaeffer's wages were \$19206. Wiremasters is responsible for issuing the following Form W-2 to Mrs. Schaeffer. The following annual benefit notification was issued to Wiremasters Company on January 14, 2002:

SPI Insurance Company Statement of Benefit Payments for Josie Schaeffer (456-90-7812) Tax Year 2001	
Portion of benefit plan funded by employer	60 percent
Benefit payments received (first 6 months)	\$20,000.00
Remaining payments received for tax year 2001	\$3,000.00

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-0198765				1 Wages, tips, other compensation \$ 33006.00		2 Federal income tax withheld \$ 6601.20	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 31206.00		4 Social security tax withheld \$ 1934.77	
				5 Medicare wages and tips \$ 31206.00		6 Medicare tax withheld \$ 452.49	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 456-90-7812				11 Nonqualified plans		12a See instructions for box 12 c o d e \$ 9200.00	
e Employee's first name and initial JOSIE		Last name SCHAEFFER		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e \$	
901 AIRY WAY BALTIMORE, MD 21201		14 Other SK PAY-SPI Ins. Co.		12c c o d e \$		12d c o d e \$	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Form **W-2** Wage and Tax Statement **2001**
Copy A For Social Security Administration

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see separate instructions

The following Form W-2 is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number 22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer identification number 55-0198765		1 Wages, tips, other compensation \$ 42206.00		2 Federal income tax withheld \$ 8441.20	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 EDUCATION WAY BALTIMORE, MD 21201		3 Social security wages \$ 42206.00		4 Social security tax withheld \$ 2616.77	
		5 Medicare wages and tips \$ 42206.00		6 Medicare tax withheld \$ 611.99	
		7 Social Security tips \$		8 Allocated tips \$	
		9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 456-90-7812		11 Nonqualified plans		12a See instructions for box 12 c o d e \$	
e Employee's first name and initial JOSIE		Last name SCHAEFFER		12b c o d e \$	
f Employee's address and Zip code 901 AIRY WAY BALTIMORE, MD 21201		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12c c o d e \$	
		14 Other		12d c o d e \$	
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
		\$			20 Locality name

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
Copy A For Social Security Administration Cat. No. 10134D For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

The W-2 above is incorrect because the preparer failed to recognize 1) that only sick payments received in the first 6 months are FICA taxable, and 2) only the percentage of sick payments paid by Wiremasters are FICA taxable. As a result of including sick pay in taxable wages, the preparer failed to show the Employee's contributory part (40%) in Box 12. The correct calculations are below:

Social Security/Medicare wages

(Wages paid [19,206]) + (60% of Sick Payments received [1.6 X \$20,000]) = \$31,206

Social Security Tax Withheld

(Social Security Wages [box 3, \$31,206]) X 6.2% = \$1,934.77

Medicare Tax Withheld

(Medicare Wages [box 5, \$31,206]) X 1.45% = \$452.49

Wages, Tips, Other Compensation

(Wages paid [\$19,206]) + (60% of Sick Payments received [1.6 X \$23,000]) = \$33,006

Box 13 (Code J)

40% X Sick Payments received (\$23,000) = \$9,200.00

H. Dominique D. Johnson is an employee subject to full-FICA. Her 2001 wages were \$77,000. Johnson's insurance coverage is \$200,000. She is 45 years old and pays \$174 per year for her coverage. The calculated benefit amount SIMPLE retirement account that is part of her 401-(k) arrangement. Johnson took business trips for which she received a substantiated total per diem allowance of \$350. Johnson also received \$150 in taxable fringe benefits.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-0198765				1 Wages, tips, other compensation \$ 70672.00		2 Federal income tax withheld \$ 14030.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 77672.00		4 Social security tax withheld \$ 4815.66	
				5 Medicare wages and tips \$ 77672.00		6 Medicare tax withheld \$ 1126.24	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 719-50-3210		e Employee's first name and initial DOMINIQUE D		Last name JOHNSON		11 Nonqualified plans \$	
650 HOPE RD. BALTIMORE, MD 21202				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 C \$ 522.00	
				14 Other		12b D \$ 7000.00	
						12c I \$ 350.00	
						12d I	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax \$	18 Local Wages, tips, etc.	19 Local income tax	20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

The following W-2 for Dominique D. Johnson is incorrect. Please review these errors and the discussion below the W-2

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 55-0198765				1 Wages, tips, other compensation \$ 77672.00		2 Federal income tax withheld \$ 15534.40	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages \$ 77672.00		4 Social security tax withheld \$ 4815.66	
				5 Medicare wages and tips \$ 77672.00		6 Medicare tax withheld \$ 1126.24	
				7 Social Security tips \$		8 Allocated tips \$	
				9 Advance EIC payment \$		10 Dependent care benefits \$	
d Employee's social security number 719-50-3210		e Employee's first name and initial DOMINIQUE D		Last name JOHNSON		11 Nonqualified plans \$	
650 HOPE RD. BALTIMORE, MD 21202				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 C \$ 522.00	
				14 Other		12b D \$ 7000.00	
						12c I \$ 350.00	
						12d I	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc. \$	17 State income tax \$	18 Local Wages, tips, etc.	19 Local income tax	20 Locality name	

Form **W-2** Wage and Tax Statement **2001** Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

The W-2 above is incorrect because the preparer included Johnson's contribution to her SIMPLE retirement account as wages and withheld income tax on the GTLI over \$50,000.

EXHIBITS: PAYROLL REGISTER DATA TABLES

The following exhibits are data tables of information from Wiremasters' payroll register. This information provides the base data for the case scenario. Wiremasters employs individuals who earn wages and tips subject to the 6.2 percent Social Security tax and 1.45 percent Medicare tax (full-FICA employees).

Wiremasters EIN is 55-0198765. The information in Exhibit 4 below contains summary employee information from Wiremasters' payroll register. In addition, Exhibit 5 (pages 137 through 140) illustrates wage and tax data for Wiremasters on a quarterly basis and Exhibit 6 (page 141) summarizes Wiremasters' payroll on an annual basis.

Exhibit 4
Summary Employee Information
Wiremasters

<u>Name (first, middle, last)</u>	<u>Name as shown on Social Security Card and Cabot Cove Payroll Register</u>	<u>SSN</u>
Edward Eric McNamara	Edward E. McNamara	023-67-4589
Sandra Spencer	Sandra Spencer	234-78-5690
Randolph Marano	Randolph Marano	345-89-6701
Junghee Kim	Junghee Kim	567-01-8923
Josie Schaeffer	Josie Schaeffer	456-90-7812
Garth Vance Smith	Garth V. Smith	701-45-2367
Tara Lena Mason	Tara L. Mason	666-90-7812
Dominique Dana Johnson	Dominique D. Johnson	719-50-3210

EXHIBIT 5-1

FIRST QUARTER EMPLOYEE PAYROLL DATA
WIREMASTER COMPANY PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 023-67-4589	FICA Active	19,225.00					19,225.00	3,845.00	20,000.00	1,240.00	19,225.00	278.76
Sandra Spencer 234-78-5690	FICA Active	11,250.00	1,125.00			1250.00	12,375.00	2,475.00	13,625.00	844.75	13,625.00	197.56
Randolph Marano 345-89-6701	MQGA Active	3,055.00		156.00 Advance EIC			3,055.00	611.00	3,055.00	189.41	3,055.00	44.30
Junghee Kim 567-01-8923	FICA Active	13,000.00					13,000.00	2,600.00	13,000.00	806.00	13,000.00	188.50
Garth V. Smith 701-452367	FICA Active	15,000.00					15,000.00	3,000.00	15,000.00	930.00	15,000.00	217.50
Tara L. Mason 666-90-7812	FICA Active	10,000.00					10,000.00	2,000.00	10,000.00	620.00	10,000.00	145
Josie Schaeffer 456-90-7812	FICA Active	11,523.60					11,523.60	2,304.72	11,523.60	714.46	11,523.60	167.09
Dominique D. Johnson 719-50-3210	FICA Active	17,500.00				1750.00	17,500.00	3,500.00	19250.00	1193.50	19250.00	279.13
First Quarter Total		100,553.60	1,125.00	156.00		3000.00	101,678.60	20,335.72	105,453.60	6,538.12	104,678.60	1,517.84

EXHIBIT 5-2

SECOND QUARTER EMPLOYEE PAYROLL DATA
WIREMASTER COMPANY PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 023-67-4589	FICA Active	19,225.00					19,225.00	3,845.00	20,000.00	1,240.00	19,225.00	278.76
Sandra Spencer 234-78-5690	FICA Active	11,250.00	1,125.00			1,250.00	12,375.00	2,475.00	13,625.00	844.75	13,625.00	197.56
Randolph Marano 345-89-6701	FICA Active	3,055.00		156.00 Advance EIC			3,055.00	611.00	3,055.00	189.41	3,055.00	44.30
Junghee Kim 567-01-8923	FICA Active	13,000.00					13,000.00	2,600.00	13,000.00	806.00	13,000.00	188.50
Garth V. Smith 701-452367	FICA Active-SK	15,000.00		3,000.00 SK PAY	2,400.00 *	2,400.00 *	17,400.00	3,480.00	17,400.00	1,078.80	17,400.00	252.30
Tara L. Mason 666-90-7812	FICA Active	10,000.00					10,000.00	2,000.00	10,000.00	620.00	10,000.00	145.00
Josie Schaeffer 456-90-7812	FICA Active-SK	7,682.40		3,000.00	1,800.00	1,800.00	9,482.40	1,896.48	9,482.40	587.91	9,482.40	137.49
Dominique D. Johnson 719-50-3210	FICA Active	17,500.00				1,750.00	17,500.00	3,500.00	19250.00	1,193.50	19250.00	279.13
Second Quarter Total		96,712.40	1,125.00	6,156.00	4,200.00	7,200.00	102,037.40	20,407.48	105,812.40	6,560.37	105,037.40	1,523.04

*Employer's contribution rate to the sick pay plan for Josie Schaeffer is 60 percent. Wiremasters assumed responsibility for reporting the sick pay wages.

Benefit payments Mrs. Schaeffer received for the second quarter are \$3,000.00.

Taxable portion of the sick payment: \$3,000.00 X .6 = \$1,800.00.

Wiremasters adjusted on line 9 of their 941 Form \$137.70 of employee taxes not withheld on sick pay (\$1,800.00 X .0765 = \$137.70).

EXHIBIT 5-3

THIRD QUARTER EMPLOYEE PAYROLL DATA
WIREMASTER COMPANY PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 023-67-4589	FICA Active	19,225.00					19,225.00	3,845.00	20,000.00	1,240.00	19,225.00	278.76
Sandra Spencer 234-78-5690	FICA Active	11,250.00	1,125.00			1,250.00	12,375.00	2,475.00	13,625.00	844.75	13,625.00	197.56
Randolph Marano 345-89-6701	MQGA Active	3,055.00		156.00 Advance EIC			3,055.00	611.00	3,055.00	189.41	3,055.00	44.30
Junghee Kim 567-01-8923	FICA Active	13,000.00					13,000.00	2,600.00	13,000.00	806.00	13,000.00	188.50
Garth V. Smith 701-452367	FICA Active-SK			9,000.00 SK PAY	7,200.00 *	7,200.00 *	7,200.00	1,440.00	6,000.00	372.00	6,000.00	87.00
Tara L. Mason 666-90-7812	FICA Active											
Josie Schaeffer 456-90-7812	FICA ActiveSK			10,000.00 SK-PAY	6,000.00 **	6,000.00	6,000.00	1,200.00	6,000.00	372.00	6,000.00	87.00
Dominique D. Johnson 719-50-3210	FICA Active	17,500.00				1,750.00	17,500.00	3,500.00	19,250.00	1,193.50	19,250.00	279.13
Third Quarter Total		64,030.00	1,125.00	19,156.00	13,200.00	16,200.00	78,355.00	15,671.00	80,930.00	5,017.66	80,155.00	1,162.25

*Employer's contribution rate is 80 percent for Garth Smith. Wiremasters is responsible for paying sick pay wages.

Benefit payments to Mr. Smith for the Third Quarter are \$9,000.

**Employer's contribution rate to the sick pay plan for Josie Schaeffer is 60 percent. Wiremasters is responsible for reporting the sick pay wages.

Benefit payments Mrs. Schaeffer received for the Third Quarter are \$10,000.00.

Taxable portion of the sick payment: \$10,000.00 X .6 = \$6,000.00.

Wiremasters Company adjusted on line 9 of their 941 Form \$459.00 of employee taxes not withheld on sick pay (\$6,000.00 X .0765 = \$459.00).

EXHIBIT 5-4

FOURTH QUARTER EMPLOYEE PAYROLL DATA
WIREMASTER COMPANY PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 023-67-4589	FICA Active	19,225.00		3,100.00			19,225.00	3,845.00	20,000.00	1,240.00	22,325.00	323.71
Sandra Spencer 234-78-5690	FICA Active	11,250.00	1,125.00			1,250.00	12,375.00	2,475.00	13,625.00	844.75	13,625.00	197.56
Randolph Marano 345-89-6701	MQGA Active	3,055.00		156.00 Advance EIC			3,055.00	611.00	3,055.00	189.41	3,055.00	44.30
Junghee Kim 567-01-8923	FICA Active	13,000.00					13,000.00	2,600.00	13,000.00	806.00	13,000.00	188.50
Garth V. Smith 701-452367	FICA Active-SK			9,000.00 SK PAY-P1	7,200.00	7,200.00	7,200.00	1,440.00	6,000.00	372.00	6,000.00	87.00
Tara L. Mason 666-90-7812	FICA Active-SK											
Josie Schaeffer 456-90-7812	FICA Active-SK			10,000.00 SK PAY-P2	6,000.00 *	4,200.00 **	6,000.00	1,200.00	4,200.00	260.40	4,200.00	60.90
Dominique D. Johnson 719-50-3210	FICA Active	17,500.00		672.00 Life Ins. & Fringe Benefits	672.00	2,422.00	18,172.00	3,634.40	19,922.00	1,235.16	19,922.00	288.87
Fourth Quarter Total		64,030.00	1,125.00	22,928.00	13,872.00	15,072.00	79,027.00	15,805.40	79,802.00	4,947.72	82,127.00	1,190.84

SICK PAY-P1: Employer paid 80 percent of the premiums on the policy for Mr. Smith. Wiremasters also assumed responsibility for paying its FICA taxes and reporting the sick pay wages.

* Taxable portion of the sick payment: \$9,000.00 X .8 = \$7,200.00.

SICKPAY-P2: Employer's contribution rate to the sick pay plan for Josie Schaeffer is 60 percent. Wiremasters is responsible for reporting sick pay wages and the employer's portion of FICA.

Benefit payments Mrs. Schaeffer received for the Fourth Quarter are \$10,000.00.

* Taxable portion of the sick payment: \$10,000.00 X .6 = \$6,000.00.

**FICA taxable portion of the sick payment: {\$10,000.00 - (last month sick payment [\$3,000.00])} X .6 = \$4,200.00.

Wiremasters adjusted on line 9 of their 941 Form \$321.30 of employee taxes not withheld on sick pay (\$4,200.00 X .0765 = \$321.30).

EXHIBIT 6

PAYROLL REGISTER ANNUAL SUMMARY
WIREMASTER COMPANY PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 023-67-4589	FICA Active-Deceased	76,900.00	0.00	3,100.00	0.00	0.00	76,900.00	15,380.00	80,000.00	4,960.00	80,000.00	1,160.00
Sandra Spencer 234-78-5690	FICA Active	45,000.00	4,500.00	0.00	0.00	5,000.00	49,500.00	9,900.00	54,500.00	3,379.00	54,500.00	790.25
Randolph Marano 345-89-6701	FICA Active	12,220.00	0.00	624.00 Advance EIC	0.00	0.00	12,220.00	2,444.00	12,220.00	757.64	12,220.00	177.19
Junghee Kim 567-01-8923	FICA Active	52,000.00	0.00	0.00	0.00	0.00	52,000.00	10,400.00	52,000.00	3,224.00	52,000.00	754.00
Garth V. Smith 701-452367	FICA Active-SK	30,000.00	0.00	21,000.00 SK PAY	16,800.00	16,800.00	46,800.00	9,360.00	44,400.00	2,752.80	44,400.00	643.80
Tara L. Mason 666-90-7812	FICA Active	20,000.00	0.00	0.00	0.00	0.00	20,000.00	4,000.00	20,000.00	1,240.00	20,000.00	290.00
Josie Schaeffer 456-90-7812	FICA Active-SK	19,206.00	0.00	23,000.00 SK PAY-P2	13,800.00	12,000.00	33,006.00	6,601.20	31,206.00	1,934.77	31,206.00	452.49
Dominique D. Johnson 719-50-3210	FICA Active	70,000.00	0.00	672.00 Life Ins. & Fringe Benefits	672.00	7,672.00	70,672.00	14,134.40	77,672.00	4,815.66	77,672.00	1126.24
Annual Grand Total		325,326.00	4,500.00	48,396.00	31,272.00	41,472.00	361,098.00	72,219.60	371,998.00	23,063.87	371,998.00	5,393.97

APPENDIX A: TELEPHONE NUMBERS FOR THE SOCIAL SECURITY ADMINISTRATION'S REGIONAL EMPLOYER SERVICES LIAISON OFFICERS

NOTE: THESE ARE NOT TOLL-FREE NUMBERS

Social Security personnel at these phone numbers can help with questions about how to submit **W-2s on magnetic media**. Refer to the Internal Revenue Service's (IRS) *Instructions for Forms W-2 and W-3* for information on filing **paper W-2s/W-3s**. Employers, payroll services or an "agent" filing W-2s for employers may telephone the IRS Martinsburg Computing Center call site at (304) 263-8700 with employment tax questions. Questions regarding State reporting should be directed to the appropriate State Revenue Agency.

<u>Calls from:</u>	<u>Telephone:</u>	<u>Calls from:</u>	<u>Telephone:</u>
Alabama	(334) 223-7013 (Montgomery)*	Nebraska.....	(816) 936-5649 (Kansas City)
Alaska.....	(206) 615-2125 (Seattle)	Nevada	(510) 970-8247 (San Francisco)
American Samoa	(510) 970-8247 (San Francisco)	New Hampshire.....	(617) 565-2895 (Boston)
Arizona	(510) 970-8247 (San Francisco)	New Jersey	(212) 264-5643 (New York)
Arkansas	(501) 324-5130 (Little Rock)**	New Mexico.....	(505) 346-6651 (Albuquerque)**
California.....	(510) 970-8247 (San Francisco)	New York.....	(212) 264-5643 (New York)
Colorado	(303) 844-2364 (Denver)	North Carolina	(919) 790-2877 Ext. 3007 (Raleigh)*
Connecticut	(617) 565-2895 (Boston)	North Dakota.....	(800) 314-1964 (Denver)
Delaware	(215) 597-4632 (Philadelphia)	Ohio.....	(312) 575-4244 (Chicago)
Dist. of Columbia	(215) 597-4632 (Philadelphia)	Oklahoma	(501) 324-5130 (Little Rock)**
Florida-North.....	(850) 942-8975 (Tallahassee)*	Oregon.....	(206) 615-2125 (Seattle)
Florida-South.....	(305) 672-4517 (Miami Beach)*	Pennsylvania	(215) 597-4632 (Philadelphia)
Georgia	(770) 424-2862 Ext. 201 (Marietta)*	Puerto Rico.....	(787) 766-5574 (San Juan)
Guam	(510) 970-8247 (San Francisco)	Rhode Island	(617) 565-2895 (Boston)
Hawaii	(510) 970-8247 (San Francisco)	South Carolina	(864) 582-1091 Ext. 260 (Spartanburg)*
Idaho	(206) 615-2125 (Seattle)	South Dakota.....	(800) 314-1964 (Denver)
Illinois	(312) 575-4244 (Chicago)	Tennessee	(615) 907-9501 (Murfreesboro)*
Indiana.....	(312) 575-4244 (Chicago)	Texas-Central/South ..	(512) 916-5391 (Austin)**
Iowa.....	(816) 936-5649 (Kansas City)	Texas Dallas/North	(817) 978-3123 (Fort Worth)**
Kansas	(816) 936-5649 (Kansas City)	Texas-East.....	(713) 718-3015 (Houston)**
Kentucky	(859) 294-5153 Ext. 3055 (Lexington)* or (502) 244-0593 ext. 201 (Louisville)*	Texas-West.....	(505) 346-6651 (Albuquerque)**
Louisiana	(504) 589-4425 (New Orleans)**	Utah.....	(800) 314-1964 (Denver)
Maine.....	(617) 565-2895 (Boston)	Vermont	(617) 565-2895 (Boston)
Maryland	(215) 597-4632 (Philadelphia)	Virgin Islands.....	(787) 766-5574 (San Juan)
Massachusetts.....	(617) 565-2895 (Boston)	Virginia	(215) 597-4632 (Philadelphia)
Michigan	(312) 575-4244 (Chicago)	Washington	(206) 615-2125 (Seattle)
Minnesota.....	(312) 575-4244 (Chicago)	West Virginia	(215) 597-4632 (Philadelphia)
Mississippi	(601) 693-4859 (Meridian)*	Wisconsin.....	(312) 575-4244 (Chicago)
Missouri.....	(816) 936-5649 (Kansas City)	Wyoming.....	(800) 314-1964 (Denver)
Montana.....	(800) 314-1964 (Denver)		

* or Atlanta (404) 562-1315

**or, Denver (303) 844-2364

APPENDIX B: IRS/SSA PUBLICATIONS

There are other IRS and SSA publications that can help employers file wage reports. Several key publications from each Agency are listed below.

IRS Publications

- Employer's Tax Guide, Publication 15 (Circular E)
- Employer's Supplemental Tax Guide, Publication 15-A
- Farmer's Tax Guide, Publication 225
- Tax Guide for Small Business, Publication 334
- Federal Employment Tax Forms, Publication 393
- Reporting Back Pay and Special Wage Payments to the Social Security Administration, Publication 957
- Rules and Specifications for Private Printing of Substitute Forms W-2 and W-3, Publication 1141
- Rules and Specifications for Private Printing of Substitute Forms W-2c and W-3c, Publication 1223

Copies of these and other IRS publications can be obtained via the IRS website @ www.irs.gov, or contact the local IRS office listed in your telephone directory or call toll free 1-800-829-3676 to request this information.

SSA Publications

- Employers Guide to Filing Timely and Accurate W-2 Wage Reports

For copies of this publication, please contact your regional SSA Employer Services Liaison Officer listed in Appendix A.

- Software Specifications and Edits for Correcting Annual Wage Reports, Publication No. 31-031.

You can obtain copies of this SSA publication by:

Internet subscribers can read and print this publication directly from the Employer Information section of SSA Online @ www.ssa.gov.

Forward written requests to: Social Security Administration
Office of Financial Policy and Operations
ATTN: AWR Software Standards
P.O. Box 17195
Baltimore, MD 21297-1195

APPENDIX C : CHART TO RELATE PAPER W -2/W -3 ENTRIES TO MAGNETIC
MEDIA REPORTING AND ELECTRONIC FILING DATA FIELDS

<u>PAPER W -2 BOX 11</u>	<u>MAGNETIC MEDIA OR ELECTRONIC FILING</u>
Nonqualified Plans Section 457	Code RW record, Location 353-363
Not Section 457	Code RW record, location 375-385
 <u>PAPER W -2 BOX 12</u>	
A Uncollected Social Security Tax on Tips	.
B Uncollected Medicare Tax on Tips:	
Combine code A and B amounts and enter combined total.	Code RO record, location 23-33
C Employer Cost of Premiums for group-term life insurance over \$50,000	Code RW record, location 408-418
D Section 401(k) contributions	Code RW record, location 287-297
E Section 403(b) contributions	Code RW record, location 298-308
F Section 408(k)(6) contributions	Code RW record, location 309-319
G Section 457(b) contributions	Code RW record, location 320-330
H Section 501(c)(18)(D) contributions:	Code RW record, location 331-341
J Sick Pay not includable as income.	Not required by IRS for Magnetic media or electronic reporting.
K Tax on excess golden parachute payments.	Not required by IRS for Magnetic media or electronic reporting.

<u>PAPER W -2 BOX 12 (cont.)</u>	<u>MAGNETIC MEDIA OR ELECTRONIC FILING</u>
L Non-taxable part of employee business expense reimbursements.	Not required by IRS for Magnetic media or electronic reporting.
M Uncollected social security tax on cost of group-term life insurance.	Not required by IRS for Magnetic media or electronic reporting.
N Uncollected Medicare tax on cost of group-term life insurance.	Not required by IRS for Magnetic media or electronic reporting.
P Excludable moving expense reimbursements	Not required by IRS for Magnetic media or electronic reporting.
Q Military employee's basic quarters, subsistence and combat pay.	Code RW record, location 342-352
R Medical Savings Account	Code RO record, location 34-44
S Simple Retirement Account	Code RO record, location 45-55
T Qualified Adoption Expenses	Code RO record, location 56-66
V Income from the exercise of nonstatutory stock options.	Code RW record, location 419-429
<u>PAPER W -2 BOX 13</u>	
Statutory Employee	Code RW record, location 486.
Retirement Plan	Code RW record, location 488
Third-Party Sick Pay	Code RW record, location 489

<u>PAPER W -2 BOX 14</u>	<u>MAGNETIC MEDIA OR ELECTRONIC FILING</u>
Retirement Plan Contributions Not Reported In Box 12	Not required by IRS for Magnetic media or electronic reporting.
All Other Information	Not required by IRS for Magnetic media or electronic reporting.
<u>PAPER W -3 BOX 13</u>	
Income Tax Withheld By Payer of Third-Party Sick Pay.	Code RT record, location 325-339

See IRS Publication No. 15A